85-340

No.

Supreme Court, U.S.
FILED
AUG 28 1985
JOSEPH F. SPANIOL, JR.
CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM 1985

HART SCHAFFNER & MARX AND ROOTS, INC.,

Petitioners,

v.

NATURAL FOOTWEAR LIMITED, DON GREEN AND MICHAEL BUDMAN,

Respondents.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

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QUESTIONS PRESENTED*

1. Whether the Court of Appeals was correct in changing the long established law that trademark rights are derived from use to a new test requiring proof of "market penetration," in effect denying trademark protection to many smaller enterprises.

2. Whether the Court of Appeals, by engaging in extensive fact-finding, so far departed from the accepted and usual course of judicial proceedings as to call for an exercise of this Court's power of supervision.

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*The parties to the proceeding in the court whose judgment is sought to be reviewed are those listed in the caption. The parent company of Hart Schaffner & Marx is Hartmarx Corporation. The only subsidiary of Hart Schaffner & Marx which is not wholly owned is Thorngate S.A. de C.V. The following subsidiaries of Hartmarx Corporation are not wholly-owned: Austin Reed Group P.C., Country Miss, Inc. and Organization Robert's S.A. de C.V. The parent company of Roots, Inc. is Hart Specialty Stores, Inc. which is a wholly-owned subsidiary of Hartmarx Corporation.

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Respondents.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

Petitioners, Hart Shaffner & Marx and Roots, Inc. respectfully pray that a writ of certiorari issue to review the judgment and opinion of the United States Court of Appeals for the Third Circuit entered in this proceeding on April 19, 1985.

OPINIONS BELOW

The opinion of the District Court dismissing respondent Natural Footwear Limited's complaint and entering judgment for petitioner Roots, Inc. on its counterclaim is reported at 579 F.Supp. 543 (D.N.J. 1983). The decision by Court of Appeals reversing the District Court, as amended May 31, 1985, is reported at 760 F.2d 1383 (3rd Cir. 1985). The decision by the Court of Appeals denying rehearing on May 30, 1985 is unreported, as is its order amending the opinion dated June 27, 1985.

JURISDICTION

The judgment of the Court of Appeals for the Third Circuit reversing the decision of the District Court was entered on April 19, 1985. A timely petition for rehearing was denied on May 30, 1985. The jurisdiction of this Court is invoked under 28 U.S.C. §1254(1), 15 U.S.C. §1122 and Rule 17.1(a) of the Supreme Court Rules.

STATUTORY PROVISIONS OR RULES INVOLVED

Section 2(d) of the Trademark Laws of the United States (15 U.S.C. 1052(d)):

Sec. 2 (15 U.S.C. 1052) Trademarks registrable on the principal register

No trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it—

* * *

> (d) consists of or comprises a mark which so resembles a mark registered in the Patent and Trademark Office or a mark or a trade name previously used in the United States by another and not abandoned, as to be likely, when applied to the goods of the applicant, to cause confusion, or to cause mistake, or to deceive: *Provided*, That when the Commissioner determines that confusion, mistake, or deception is not likely to result from the continued use by more than one person of the same or similar marks under conditions and limitations as to the mode or place of use of the marks or the goods in connection with which such marks are used, concurrent registrations may be issued to such persons when they have become entitled to use such marks as a result of their concurrent lawful use in commerce prior to (i) the earliest of the filing dates of the applications pending or

of any registration issued under this Act; or (ii) July 5, 1947, in the case of registrations previously issued under the Act of March 3, 1881, or February 20, 1905, and continuing in full force and effect on that date; or (iii) July 5, 1947, in case of applications filed under the Act of February 20, 1905, and registered after July 5, 1947. Concurrent registrations may also be issued by the Commissioner when a court of competent jurisdiction has finally determined that more than one person is entitled to use the same or similar marks in commerce. In issuing concurrent registrations, the Commissioner shall prescribe conditions and limitations as to the mode or place of use of the mark or the goods in connection with which such mark is registered to the respective persons;

* * *

Rule 52(a) Federal Rules of Civil Procedure:

Rule 52. Findings by the Court.

(a) Effect. In all actions tried upon the facts without a jury or with an advisory jury, the court shall find the facts specially and state separately its conclusions of law thereon, and judgment shall be entered pursuant to Rule 58; and in granting or refusing interlocutory injunctions the court shall similarly set forth the findings of fact and conclusions of law which constitute the grounds of its action. Requests for findings are not necessary for purposes of review. Findings of fact shall not be set aside unless clearly erroneous, and due regard shall be given to the opportunity of the trial court to judge of the credibility of the witnesses. The findings of a master, to the extent that the court adopts them, shall be considered as the findings of the court. It will be sufficient if the findings of fact and conclusions of law are stated orally and recorded in open court following the close of the evidence or appear in an opinion or memorandum of decision filed by the court. Findings of fact and conclusions of law are unnecessary on decisions of motions under Rules 12 or 56 or any other motion except as provided in Rule 41(b).

STATEMENT OF THE CASE

1. Nature of the Case and Its Disposition Before the District Court.

This case involves a controversy between Roots and Natural[1] over the right to use the name and mark ROOTS for wearing apparel, including footwear, in the United States.

Roots' founder, Adolph Root, began selling wearing apparel in 1917 in Jersey City (A-1, A-28, A-64). In the 1950's, following relocation of the stores to Summit, New Jersey, Perry Root joined his father's business and changed its focus to cater to discriminating, upper-income customers, instituted Roots' present program of applying permanent woven ROOTS labels to its high-quality wearing apparel and undertook to extend its reputation and sales throughout the United States (A-3, A-28, A-64, A-77). To this end, Roots, *inter alia*, placed mail order advertisements for ROOTS apparel in *The New Yorker*, the national magazine deemed the most suitable for reaching the patrons Roots desired, and established a list of out-of-state customers to whom its ROOTS brochures and catalogs were regularly mailed (A-28, A-65).

As a result of its sales and promotional efforts, Roots established a valuable trade, predominantly in New Jersey, but also across the country (A-66 - A-67, A-77 - A-78). By 1965, Roots' reputation was such that Hart Schaffner & Marx found the business an attractive one for acquisition (A-28, A-77). Following the acquisition, Roots, as a subsidiary, "has carried on the business at the direction of Perry Root ever since, along the same lines he planned from the start" (A-65). Roots' mail order sales total between a quarter to half a million dollars annually, aggregating millions of dollars over the years, and have constituted a significant and growing part of Roots' business (A-77, Preliminary Injunction Transcript pp. 45-46).

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[1] In conformity with the practice followed in the opinions below, petitioners Hart Schaffner & Marx and Roots, Inc. are collectively referred to herein as "Roots," and respondents Natural Footwear Limited, Don Green and Michael Budman are collectively referred to herein as "Natural."

Natural, on the other hand, did not use the trademark ROOTS in the United States until December, 1973, when it shipped footwear from Canada to California (A-35). By that time, Roots had been selling wearing apparel, including footwear, under the name and mark ROOTS for decades, both through its retail stores and mail orders, and had achieved annual sales of approximately four million dollars (A-42, A-80).

Roots learned of Natural's use of ROOTS in 1975 and promptly objected (A-2, A-83). Roots subsequently learned that Natural had registered ROOTS for footwear and instituted a cancellation proceeding in the United States Patent and Trademark Office (A-3). During the pendency of that proceeding, Natural expanded its use of ROOTS by introducing a line of men's clothing under the mark (A-3). Roots objected and Natural filed the present action (A-3). Roots counterclaimed for unfair competition and trademark infringement, and moved for a preliminary injunction (A-1).

Following a three-day hearing, the District Court granted Roots' motion for a preliminary injunction enjoining Natural from expanding its use of ROOTS in the United States to wearing apparel other than footwear. The court found that Roots had used the name and mark ROOTS in connection with the sale of wearing apparel for decades, that the name ROOTS had long been associated with the high-quality wearing apparel sold by Roots to persons throughout the United States, and that Natural's use of ROOTS was an intentional effort to trade on Roots' reputation (A-1 - A-4). The injunction was modified and limited to New Jersey and New York pending appeal (A-8 - A-9, A-10 - A-11). The modification was vacated and the grant of the nationwide injunction was affirmed by the Third Circuit on March 21, 1980 (A-12 - A-13).

On December 8, 1983, after twenty-two days of trial, the District Court (which had jurisdiction pursuant to 15 U.S.C. 1121, 28 U.S.C. 1332(a), and 28 U.S.C. 1338(a) and (b)) issued final judgment against Natural on the complaint and for Roots on the counterclaim. The court's forty-nine page opinion includes a detailed recitation of the facts, replete with record references. The court found that "from at least May of 1959, more than fourteen years before Natural first shipped shoes to California, Roots was offering its goods nationally by mail" (A-66), and that by the time Natural first used the trademark ROOTS in December 1973, Roots had already established a reputation throughout the United States (A-80):

> Thus, the evidence as a whole clearly and convincingly shows that Roots had established and continues to enjoy unique identification for the wearing apparel (including shoes) sold by it as a merchant, both as a tradename and a trademark, mainly in New Jersey but throughout the United States as well, long before Natural's first shipment of shoes to California in late December, 1973.

Accordingly, the District Court awarded Roots a nationwide injunction against Natural's use of Roots and an accounting of profits from July 1977 forward and ordered cancellation of Natural's registrations.

2. Disposition of the Case by the Court of Appeals for the Third Circuit.

The Court of Appeals reversed, limiting the injunction and accounting of profits granted Roots to New Jersey, reinstating Natural's registrations and remanding for entry of an injunction against Roots as to footwear and for further consideration of the parties' common law rights to use ROOTS for clothing. The court held that because Natural had obtained federal registrations of ROOTS for footwear, Roots was entitled to relief against Natural's use of ROOTS for footwear only in those areas where it had achieved "market penetration" as of December 1973, the date the Court of Appeals stated (erroneously) that Natural had obtained its registrations (A-117 - A-119). Relying upon its own evaluation of the evidence, the court found that Roots had not proved "market penetration" (A-130). It therefore denied Roots injunctive relief outside New Jersey despite the findings that Roots undisputedly was the prior user and that Roots' sales and use of ROOTS within New York and Pennsylvania were greater than *de minimis* prior to Natural's use or registration of ROOTS (A-130). As to clothing, the court held that Roots was entitled to an injunction in New Jersey, but that it was unable to determine the parties' common law rights to use ROOTS outside New Jersey and remanded for further proceedings on that issue (A-136).

REASONS FOR GRANTING THE WRIT

1. The Decision Below Conflicts with the Decisions of This Court, Decisions of the Other Circuits and the Centuries Old, Established Principle of Trademark Law as to the Test for Acquiring Protectable Rights in a Trademark.

The decision below prescribes a test, which the court concedes it had not used before (A-119), for determining whether a business has acquired rights in a trademark. This test, which the court refers to as "market penetration", requires consideration of four factors on a state-by-state or region-by-region basis, namely (1) the volume of sales of the trademarked product; (2) growth trends in the area; (3) number of persons actually purchasing the product in relation to the potential number of customers; and (4) amount of product advertising in the area (A-120 - A-122).

This decision conflicts with the decisions of this Court, those of the other circuits, and the previous decisions of the Third Circuit, which have held in accordance with historical precedent since the circuits were established that trademark rights arise simply from use. This test therefore comprises a radical and fundamental departure from that centuries old principle of Anglo-American law. *Columbia Mill Co.* v. *Alcorn*, 150 U.S. 460, 463-64 (1893); *Trademark Cases*, 100 U.S. 82, 92, 94 (1879); *McLean* v. *Fleming*, 96 U.S. 245, 252 (1877); *Blanchard Importing & Distributing Co.* v. *Charles Gilman & Son, Inc.*, 353 F.2d 400, 401 (1st Cir. 1965); *New England Duplicating Co.* v. *Mendes*, 190 F.2d 415, 417 (1st Cir. 1951); *Blisscraft of Hollywood* v. *United Plastics Co.*, 294 F.2d 694, 700 (2d Cir. 1961); *Wallace & Co.* v. *Repetti, Inc.*, 266 F. 307, 308 (2d Cir. 1920); *Campbell Soup* v. *Armour & Co.*, 175 F.2d 795, 797 (3d Cir. 1949); *Food Fair Stores, Inc.* v. *Lakeland Grocery Corp.*, 301 F.2d 156, 161 (4th Cir. 1962); *Blue Bell, Inc.* v. *Farah Manufacturing Company, Inc.*, 508 F.2d 1260, 1265 (5th Cir. 1975); *Turner* v. *HMH Publishing Co., Inc.*, 380 F.2d 224, 228 (5th Cir. 1967), *cert. denied* 389 U.S. 1006 (1967); *E.F. Prichard Co.* v. *Consumers Brewing Co.*, 136 F.2d 512, 518 (6th Cir. 1943) *cert. denied* 321 U.S. 763 (1944); *Benrose Fabrics Corp.* v. *Rosenstein*, 183 F.2d 355, 359 (7th Cir. 1950); *United States Ozone Co.* v. *United States Ozone Co.*, 62 F.2d 881, 885 (7th Cir. 1932); *Kathreiner's Malzkaffee* v. *Pastor Kneipp Medicine Co.*, 82 F.2d 321, 325 (7th Cir. 1897); *Brown & Bigelow* v. *B & B Pen Co.*, 191 F.2d 939, 942 (8th Cir. 1951); *Sweet Sixteen Co.* v. *Sweet "16" Shop*, 15 F.2d 920, 925 (8th Cir. 1926); *Tillamook County Creamery Ass'n* v. *Tillamook Cheese and Dairy Ass'n*, 345 F.2d 158, 160 (9th Cir. 1965), *cert. denied* 382 U.S. 903 (1965); *Drexel Enterprises, Inc.* v. *Richardson*, 312 F.2d 525, 527 (10th Cir. 1962); *Ph. Schneider Brewing Co.* v. *Century Distilling Co.*, 107 F.2d 669, 703 (10th Cir. 1939); *University of Georgia Ass'n* v. *Laite*, 756 F.2d 1535, 1541 (11th Cir. 1985); *Robertson* v. *United States*, 287 F. 942, 945 (D.C. Cir. 1923); *reversed on other grounds*, 256 U.S. 168 (1924).

To establish rights, the prior user has not been required to prove the substantial volume of business or advertising required under the "market penetration" test. Rather, genuine prior and continuing use greater than *de minimis* use uniformly and historically has sufficed to afford rights pre-

emptive over a subsequent user. *McGregor-Doniger, Inc.* v. *Drizzle, Inc.*, 599 F.2d 1126, 1132 (2d Cir. 1979); *Blue Bell, Inc.* v. *Farah Manufacturing Company, Inc.*, 508 F.2d 1260, 1265 (5th Cir. 1975); *Drexel Enterprises, Inc.* v. *Richardson*, 312 F.2d 525, 527 (10th Cir. 1962); *Sweet Sixteen Co.* v. *Sweet "16" Shop*, 15 F.2d 920, 925 (8th Cir. 1926); *Wallace & Co.* v. *Repetti, Inc.*, 266 F. 307, 308 (2d Cir. 1920) *cert. denied* 254 U.S. 639 (1920); *Kathreiner's Malzkaffee* v. *Pastor Kneipp Med Co.*, 82 F. 321, 326 (7th Cir. 1897); *Waldes* v. *International Mnfrs. Agency*, 237 F. 502, 505 (S.D.N.Y. 1916); *Walter Baker & Co.* v. *Delapenha*, 160 F.746, 749 (C.C.D.N.J. 1908). That a subsequent user achieves greater sales does not denigrate the superiority of the rights of the prior user whether or not the prior user has achieved what the Court of Appeals describes as "market penetration." *Big O Tire Dealers, Inc.* v. *Goodyear Tire and Rubber Co.*, 561 F.2d 1365 (8th Cir. 1977), *cert. denied* 434 U.S. 1052 (1978); *Dwinell-Wright Co.* v. *National Fruit Product Co., Inc.*, 140 F.2d 618, 624 (1st Cir. 1944); *Ansehl* v. *Williams*, 267 F. 9, 12 (8th Cir. 1920). Nor does registration confer upon a subsequent user rights superior to a prior user in the areas where the mark has been used. *Tillamook County Creamery Ass'n* v. *Tillamook Cheese and Dairy Ass'n*, 345 F.2d 158, 160 (9th Cir. 1965); *Robertson* v. *United States*, 287 F. 942, 945 (D.C. Cir. 1923); *Ansehl* v. *Williams*, 267 F. 9, 14 (8th Cir. 1920); 15 U.S.C. §§ 1052(d), 1065, 1115(b)(5).

The Third Circuit now has held that proof of priority of genuine use is not enough. Prior "market penetration" must be shown (A-117-A-119). This test conflicts with the entire body of the law disclosed above and necessarily will deny many small businesses trademark protection. The effect here of the Court of Appeals decision is to deprive Roots of protection for the business and goodwill built up by over thirty years of good faith effort because, under the Third Circuit's test and findings of fact, the business developed simply was not substantial enough. This is the very result the previous case law recognized should not be permitted. As the District Court correctly observed herein, the trademarks of "small businesses" are as much entitled to protection as those of large companies (A-82):

> Nothing in the common law of trademarks, or in the Lanham Act, limits the protection of the intangibles arising from the use of a well-established and strong mark, such as here, to large enterprises. Small enterprises as well as massive ones are equals in the eyes of the law.

The Third Circuit's extraordinary new test primarily depends upon the size and resources of companies, not their good faith prior use and continuous use of the trademark. Thus, if a business is unable to promote and generate a substantial sales volume, is unable to afford substantial advertising and is unable to maintain significant growth trends, under the Third Circuit's test its rights in its trademark will no longer be protected against later "market penetration" by larger companies with the greater resources needed to achieve "market penetration". Not only is this contrary to established trademark law, but also to the principles of fair competition. As the court stated in *Big O Tire Dealers, Inc.* v. *Goodyear Tire & Rubber,* 408 F.Supp. 1219, 1232 (D. Col. 1976) *aff'd as modified* 561 F.2d 1365 (10th Cir. 1977), *cert. denied* 934 U.S. 1052 (1978):

> While mere difference in size and economic power between competitors is not unfair, the competition becomes unfair if that power is used with a complete disregard of the property rights of the smaller company.

The Third Circuit in its lengthy decision cites only two opinions as support for its test, *Weiner King, Inc.* v. *Weiner King Corp.,* 615 F.2d 512 (C.C.P.A. 1980) and *Sweetarts v.*

Sunline, 380 F.2d 923 (8th Cir. 1967).[2] In *Weiner King,* the court noted that a party could obtain rights in a trademark in territories beyond those where the mark had been used, namely, those territories in which it had become known and functioned to identify and distinguish, and set forth five factors to consider to determine if this had occurred. One method in which a trademark proprietor could obtain rights was where there had been "market penetration" by virtue of customers bringing the trademarked product into areas where it was not sold. The court did not suggest that "market penetration" as prescribed now by the Third Circuit need be shown where prior use or sales had occurred or that a prior trademark proprietor should be deprived of protection for its trademark in those areas. Here, however, despite the Court of Appeals' finding that Roots had greater than *de minimis* use in New York and Pennsylvania, it denied Roots protection because it did not meet the "market penetration" test.[3]

Although the Eighth Circuit used the term "market penetration", in *Sweetarts* v. *Sunline,* 380 F.2d 923 (8th Cir. 1967), it specifically noted that the market penetration need not be large, but simply enough that confusion would be likely should another make use of the trademark. Thus, it is not clear that this decision requires more than greater than *de*

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[2] The Third Circuit also bases its test in part on its erroneous holding that 15 U.S.C. 1115(b) is determinative of whether Roots is entitled to protection. Section 1115(b), however, applies only where (1) the non-registrant adopted its mark after the federal registrant and (2) the registration has become incontestable. It is inapplicable here, where it is undisputed that Roots is the senior user of the mark and that Natural's registrations are not incontestable.

[3] Moreover, despite its holding that Roots is entitled to exclusive use of the name and mark ROOTS within New Jersey, the Court of Appeals reinstated Natural's registration, without any restriction. Since Roots is the prior user, however, any registration had by Natural must necessarily exclude those areas where ROOTS has the exclusive right to use the mark. *Weiner King, Inc.* v. *Weiner King Corp.,* 615 F.2d 512 (C.C.P.A. 1980). The proper procedure would have been to order concurrent registrations in accordance with 15 U.S.C. 1052(d), the provisions of which the court seemingly overlooked.

minimis use. *See Truck Equipment Serv. Co.* v. *Fruehauf Corp.*, 536 F.2d 1210, 1221-22 (8th Cir. 1976) *cert. denied* 434 U.S. 1052 (1978). To the extent *Sweetarts* prescribes a test requiring more, it likewise is in conflict with the historically established law and the decisions of the other circuits.

The Third Circuit's "market penetration" test is without benefit of support. The decision conflicts fundamentally with decisions in all other circuits and nullifies *ex post facto* the rights of small businesses that cannot meet the Third Circuit's enlarged standards.

2. By Engaging in Extensive Fact-Finding, the Court of Appeals Has So Far Departed from the Accepted and Usual Course of Judicial Proceedings as to Call For an Exercise of This Court's Power of Supervision.

In reversing the ruling of the District Court, the Court of Appeals seemingly disregarded the extensive and detailed findings of the trial court. Throughout, the court relies upon its own view of the evidence, consistently substituting its own judgment for that of the District Court as to the interpretation of testimony, the credibility of witnesses and the evaluation of documentary evidence.[4] For example, the Court of Appeals concludes that Natural's experts, Dr. Assael and Steven Osterweiss, "carefully reviewed the evidence" (A-132). It then relies upon their testimony to support its own findings (A-131). This is directly contra to the conclusion of the trial judge who observed the witnesses and found their testimony was "not persuasive" and that their opinions were "no more than casual, off-the-cuff views with not much beyond a superficial exposure to the underlying facts" (A-80 - A-81). Similarly, despite the finding of the District Court that the Boiko report (a tabulation of sales slips selected by Natural's counsel as representing Roots' out-of-state sales) corroborated the testimony that Roots had obtained a national reputation (A-77 - A-78), the Court of Appeals, substituting its own interpretation of the documents, found that they supported its finding to the contrary (A-124 - A-125). The Court of Appeals, likewise, makes no mention of the trial court's findings that Natural was aware of Roots since 1975 and that its use of ROOTS was an intentional and deliberate attempt to trade on Roots' reputation (A-83). Instead, the Court of Appeals simply stated it was undisputed that Natural first knew of Roots at least as early as 1977 (A-105 n.16).

---

[4] The statement of facts by the Court of Appeals is replete with misstatements of uncontroverted facts: e.g., the date Natural obtained its registration, the number of stores operated by Roots, the number of catalogs containing references to phone or mail orders, the number of catalogs which include mail order forms, and the time period encompassed by the exhibit of ROOTS charge card statements.

Appellate fact-finding is expressly prohibited by Rule 52(a) of the Federal Rules of Civil Procedure and the decisions of this Court. An appellate court may not substitute its own judgment for that of the trial court even though it would have weighed the evidence differently had it been the finder of fact. *Anderson* v. *City of Bessemer City, North Carolina,* ____ U.S. ____, 105 S.Ct. 1504, 1511-12 (1985); *Zenith Radio Corp.* v. *Hazeltine Research, Inc.,* 395 U.S. 100, 123 (1969). This is true both as to the evaluations of documentary evidence such as the Boiko report and as to testimony. *Anderson* v. *City of Bessemer City, North Carolina,* 105 S.Ct. at 1512. Especially great deference must be afforded the court's determination regarding the credibility of witnesses who testified before it. *Anderson* v. *City of Bessemer City, North Carolina,* 105 S.Ct. at 1512; *see Wainwright* v. *Witt,* 469 U.S. ____, 105 S.Ct. 844, 854 (1985).

The factual findings by the Court of Appeals literally pervade the opinion (e.g. pp. A-96 - A-109, A-122 - A-132, A-136 - A-138). Such appellate fact-finding undermines the orderly administration of justice, impairs confidence in the decisions of the district courts, and unnecessarily multiplies the number of appeals. *Pendergrass* v. *New York Life Ins. Co.,* 181 F.2d 136, 138 (8th Cir. 1950). The unfairness resulting to litigants was very recently stressed and explained by this Court in *Anderson* v. *City of Bessemer City, North Carolina,* ____ U.S. ____, 105 S.Ct., 1504, 1512 (1985) as follows:

> The rationale for deference to the original finder of fact is not limited to the superiority of the trial judge's position to make determinations of credibility. The trial judge's major role is the determination of fact, and with experience in fulfilling that role comes expertise. Duplication of the trial judge's efforts in the court of appeals would very likely contribute only negligibly to the accuracy of fact determination at a huge cost in diversion of judicial resources. In addition, the parties to a case on appeal have already been forced to concentrate their energies and resources on persuading the trial judge that their account of the facts is the correct one; requiring them to persuade three more judges at the appellate level is requiring too much. As the Court has stated in a different context, the trial on the merits should be "the 'main event' ... rather than a 'tryout on the road.'" *Wainwright* v. *Sykes,* 433 U.S. 72, 90, 97 S.Ct. 2497, 2508, 53 L.Ed.2d 594 (1977). For these reasons, review of factual findings under the clearly-erroneous standard — with its deference to the trier of fact — is the rule, not the exception.

Even were it correctly found that the District Court failed to apply the proper legal standard, the Court of Appeals' fact-finding severely departs from the accepted and usual course of judicial proceedings. Where a district court fails to make findings because it applied an incorrect legal standard, a remand for such findings is the proper remedy, not the rendering of findings. *Kelley* v. *Southern Pacific Co.,* 419 U.S. 318, 322 (1974); *DeMarco* v. *United States,* 415 U.S. 450, 451 (1974). As stated in *Pullman-Standard* v. *Swint*, 456 U.S. 273, 291 (1982):

> When an appellate court discerns that a district court has failed to make a finding because of an

erroneous view of the law, the usual rule is that there should be a remand for further proceedings to permit the trial court to make the missing findings:

> Fact finding is the basic responsibility of district courts, rather than appellate courts, and ... the court of appeals should not have resolved in the first instance this factual dispute which had not been considered by the district court. DeMarco v. United States, 415 U.S. 449, 450 (1974).

Especially is this true where, as here, the court of appeals has enunciated a new test placing a more onerous burden of proof on the litigants. *E.g. Pavlides* v. *Galveston Yacht Basin, Inc.*, 727 F.2d 330, 340 (5th Cir. 1984); *Pennington* v. *Lexington School District 2,* 578 F.2d 546, 549 (4th Cir. 1978); *Love* v. *Waukesha Joint School Dist. No. 1, Bd. of Ed.*, 560 F.2d 285 (7th Cir. 1977); *Chicano Police Officer's Ass'n* v. *Stover*, 552 F.2d 918, 921 (10th Cir. 1977); *Thompson* v. *Madison County Bd. of Educ.*, 496 F.2d 682 (5th Cir. 1974); *Fulton National Bank* v. *Tate*, 363 F.2d 562 (5th Cir. 1966).

CONCLUSION

For the foregoing reasons, this petition for a writ of certiorari should be granted.

Respectfully submitted,
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85-340 (2)

Supreme Court, U.S.
FILED
AUG 28 1985
JOSEPH F. SPANIOL, JR.
CLERK

No.

IN THE

Supreme Court of the United States

OCTOBER TERM 1985

HART SCHAFFNER & MARX AND ROOTS, INC.,

Petitioners,

v.

NATURAL FOOTWEAR LIMITED, DON GREEN AND MICHAEL BUDMAN,

Respondents.

APPENDIX

BEVERLY W. PATTISHALL
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referred to as a kind of "negative-heel footware", and decided that this kind of shoe could enjoy a wide market. They developed their design and located the Kowalewski family, a father and four sons, who possessed the necessary craft skill to manufacture a quality product. Exhibit C says the shoe was first marketed in Toronto in August, 1973. Since then the business has grown and now has a large, modern factory which is operated by the Kowalewski's.

Natural used the name "Roots" for its shoes. Where the name came from is not explained. No one in the company has that name. In any event, Green and Michael, doing business as Don-Michael, registered the trademark "Roots" on October 15, 1974 in the U.S. Patent Office, Reg. No. 995,891, for "Footwear–Namely Shoes, Slippers and Boots" in Class 39 (International Class 25), based on a Canadian trademark registration.

Another U.S. trademark registration was registered April 5, 1975 by the same owners, for the same class, i.e., "Footwear—Namely Shoes, Slippers and Boots". This trademark is an extended semi-circle with a silhouette of a beaver, below which appears the name "roots" in lower case, prominently displayed, and below that the words "Natural Footwear" in capitals and in thin line. This registration, No. 1,008,601, carries the notation that: "The applicant disclaims the right tc the exclusive use of the words 'Natural Footwear' apart from the trademark". Copies of the registrations are Exhibits A and B to the Green affidavit.

Roots became aware of Natural's existence in 1975 in connection with a New York store selling Natural's shoes with the name "Roots". Mr. Root attempted to identify the principals and eventually wrote a letter, Roots Exh. 16, addressed to a Mr. Novak who he understood was manager of that store. Some weeks later he received a phone call from one he noted as Mr. Goodman, and who may have been Mr. Budman, and discussed the risk of conflict from the use of "Roots" by both enterprises.

What occurred thereafter is not detailed except that Roots has filed papers for cancellation of Natural's trademark, pursuant to 15 USC §1064, and the matter has been referred to a Trademark Trial and Appeal Board under 15 USC §1067. The record indicates that this proceeding has been pending and in process for some two years.

Don Green testified that Natural began selling clothing other than shoes in 1974 or 1975, when it brought out a line of T-shirts, sweatshirts and socks under the name Roots, for sale in the shoe stores. Jackets and trousers (sold separately or together) were introduced in about the Spring of 1979. Sales of these articles under the name "Roots" began in August or September of 1979.

The first sales of such clothing (other than shoes) in the United States was in the Fall of 1979 to Saks Fifth Avenue, and to a shoe store in Birmingham, Michigan. This Michigan clothing sale was about 2 weeks before the hearing.

The record shows beyond question that Natural's expansion in the United States in the Fall of 1979 was with full awareness of the ongoing dispute and Trademark proceeding in respect to shoes.

The record as a whole, including the samples of T-shirts, sweatshirts and the like, indicates that the expansion effort into the United States was an intentional and deliberate effort to degrade Roots' position.

When the new activity came to light, discussions ensued for the purpose of attempting to resolve the problem amicably, and while awaiting a response, Natural filed this suit. Roots promptly counterclaimed and applied for preliminary injunction.

Under all the circumstances, the court is satisfied that Natural's conduct is unfair competition deliberately undertaken. The Roots operation goes back many years, and under the leadership of Perry Root has expanded significantly since the early 1950's and most of the growth had taken place before Natural came on the scene in the United States in the Fall of 1979.

The record clearly shows the association of the Roots name with quality clothing, and the ensuing right is entitled to the protection of reasonable expectation of future growth. The Roots interstate sales, while a fraction of the total business, is nonetheless in existence and the level of activity of Roots is far in excess of Natural's. The newcomer on the scene is entitled to compete, but has an obligation to choose a name as different as possible from that of the established enterprise. See the precedents collected in *Pennwalt* v. *Becton, etc.*, 434 F. Supp. 758 (D. N.J.1977).

Roots has shown a reasonable likelihood of eventual success on the merits. The nature of the threatened damage, if the conduct of Natural is not restrained pendente lite, is of the kind that is irreparable. The balancing of equities as between the parties weighs heavily in favor of Roots. The public interest aspect requires that deliberate efforts to degrate another's established name be prevented.

For all these reasons, plus the finding of the court that Natural's evidence was shown, by the cross-examination of Mr. Green, to be entitled to little weight, as a matter of credibility, the application for preliminary injunction will be granted.

The injunction will be limited to articles of clothing other than shoes, since the dispute about shoes is pending before the Trademark Trial and Appeals Board in the U.S. Patent and Trademark Office, which has primary jurisdiction, and to sales in the United States.

On the matter of bond under Rule 65, the court notes that Natural's markup on these articles of merchandise is about 10%, and the volume of sales is a small fraction of the sales of shoes. Under these conditions the bond will be set at $20,000.

Submit order accordingly.

December 4, 1979

/s/ VINCENT P. BIUNNO
U.S.D.J.

Original to Clerk
xc: William A. Carpenter, Jr., Esq.
Walter J. Greenhalgh, Esq.

United States District Court for the District of New Jersey

Civil Action No. 79-2966

NATURAL FOOTWEAR LIMITED, A CORPORATION

Plaintiff,

vs.

HART SCHAFFNER & MARX AND ROOTS, INC., CORPORATIONS

Defendants,

and

ROOTS, INC., A CORPORATION

Counterclaimant,

vs.

DON GREEN AND MICHAEL BUDMAN, INDIVIDUALS, AND NATURAL FOOTWEAR LIMITED, A CORPORATION

Counterdefendants.

The Hon. Vincent P. Biunno, USDJ

ORDER GRANTING PRELIMINARY INJUNCTION

This matter coming before the Court on Motion of the Counterclaimant, Roots, Inc., to enjoin the Counterdefendants from the use of the tradename and trademark Roots for wearing apparel other than footwear in the United States, and the Court having considered the testimony and exhibits offered by the parties, adn having considered the arguments and memoranda submitted by counsel, and the Court having rendered its opinion in a Memorandum issued December 4, 1979 which sets forth the Court's findings of fact and conclusions of law respecting the Motion, and its reasons for issuance of a Preliminary Injunction herein, it is hereby ORDERED that:

1. That the Counterdefendants, Don Green and Michael Budman and Natural Footwear Limited, a corporation, and each of their agents, servants, employees, attorneys and all persons in active concert or participation with them, be enjoined and restrained, during the pendency of this action or until such other Order of this Court, from using the tradename or trademark Roots in the United States on or in connection with the sale of wearing apparel other than footwear; and, provided any retailer in the United States may sell any articles of wearing apparel on hand on December 19, 1979 if there is no Roots label on said goods or if any Roots label is removed and provided such goods are not advertised in any way as having originated with or having been provided by any source with the name Roots other than counterclaimant, and,

2. The Counterclaimant shall post forthwith with this Court surety bond in the amount of $20,000.00 which shall constitute bond in accordance with Rule 65(b), F.R.C.P.

DATE: December 19, 1979

Vincent P. Biunno
U.S.D.J.

CARPENTER, BENNETT & MORRISSEY
744 Broad Street, Newark, N.J. 07102
(201) 622-7711

United States Court of Appeals

FOR THE THIRD CIRCUIT

No. 79-2819

NATURAL FOOTWEAR LIMITED, A CORPORATION OF THE PROVINCE OF ONTARIO CANADA,

Plaintiff-Appellant,

v.

HART, SCHAFFNER & MARX, A NEW YORK CORPORATION, AND ROOTS, INC., A NEW JERSEY CORPORATION,

Defendants-Appellees.

ROOTS, INC.,

Counterclaimant-Appellee,

v.

DON GREEN AND MICHAEL BUDMAN, INDIVIDUALS, AND NATURAL FOOTWEAR LIMITED, A CORPORATION,

Counterdefendants-Appellants.

TEMPORARY MODIFICATION OF PRELIMINARY INJUNCTION PENDING DECISION BY PANEL

Upon the application of Carpenter, Bennett & Morrissey (William A. Carpenter, Jr., Esq. appearing) to a single judge of the Court of Appeals, attorneys for plaintiff-appellants, NATURAL FOOTWEAR LIMITED, DON GREEN and MICHAEL EUDMAN, in the presence of Pattishall, McAuliffe & Hofstetter (W. Thomas Hofstetter, Esq. appearing), attorneys for defendants-appellees, HART, SCHAFFNER & MARX and ROOTS, INC., for an Order pursuant to Rule 8(a), Federal Rules of Appellate Procedure, modifying the Preliminary Injunction issued against them by the United States District Court for the District of New Jersey on December 19, 1979; the Court having considered the motion, appellants' brief and portions of the record below and the

December 19, 1979, Order of the District Court denying stay pending appeal; and good cause appearing,

IT IS on this 19th day of December, 1979,

ORDERED that the preliminary injunction issued against plaintiff-appellants, NATURAL FOOTWEAR LIMITED, DON GREEN and MICHAEL BUDMAN, and in favor of defendants-appellees, HART, SCHAFFNER & MARX and ROOTS, INC., by the United States District Court on December 19, 1979, be and the same hereby is modified, pending a decision of a Panel of this Court by limiting its geographic scope to the states of New Jersey and New York, without prejudice of any decision by a Panel of this Court on the merits of either the application for stay or the appeal; and it is further

ORDERED that any briefs and other materials to be considered by the Panel shall be filed with the Clerk of the Court by Noon, Thursday, December 27, 1979.

/s/ LEONARD I. GARTH

LEONARD I. GARTH, Judge
United States Court of Appeals
for the Third Circuit

The form of the foregoing
Order was approved as to
form orally on December 19, 1979, by
W. Thomas Hofstetter, Esq.
PATTISHALL, McAULIFFE & HOFSTETTER
Attorneys for Defendants-Appellees
HART, SCHAFFNER & MARX and ROOTS, INC.

United States Court of Appeals
FOR THE THIRD CIRCUIT

December 26, 1979

No. 79-2819

NATURAL FOOTWEAR LIMITED, A CORPORATION OF THE PROVINCE OF ONTARIO, CANADA

vs.

HART, SCHAFFNER & MARX, A NEW YORK CORPORATION, AND ROOTS, INC., A NEW JERSEY CORPORATION

DON GREEN AND MICHAEL BUDMAN, INDIVIDUALS

Counterdefendants

NATURAL FOOTWEAR LIMITED, DON GREEN and MICHAEL BUDMAN,

Appellants

(D. C. Civil No. 79-2966)

Present: SEITZ, *Chief Judge,*
ADAMS and WEIS, *Circuit Judges.*

1. Appellants' motion for an order staying or modifying the preliminary injunction issued by the United States District Court for the District of New Jersey in favor of defendants-appellees, Hart, Schaffner & Marx, and Roots, Inc., and against plaintiff-counterdefendants-appellants, by reducing the scope to Northern New Jersey, pending appeal, conditioned upon the posting of a $25,000.00 bond, *and* brief in support of motion, and copies of District Court documents.
2. Copy of Judge Garth's order dated December 19, 1979, sent by the undersigned for the Court's information,

in the above-entitled case.

Respectfully,

Clerk

The foregoing Motion is granted to the extent that the order of the district court dated December 19, 1979, is modified by limiting its geographical scope to the states of New York and New Jersey, and it is

FURTHER ORDERED that as a condition to the modification of the preliminary injunction the plaintiff shall file a corporate surety bond in the sum of $25,000 to cover any loss occasioned by the modification of the preliminary injunction if defendants' position is ultimately vindicated.

FURTHER ORDERED that the Clerk is directed to expedite this appeal.

By the Court,

/s/ COLLINS J. SEITZ

Chief Judge

Dated:

United States Court of Appeal
FOR THE THIRD CIRCUIT

No. 79-2819

NATURAL FOOTWEAR LIMITED, A Corporation of the Province of Ontario, Canada

vs.

HART, SCHAFFNER & MARX, A NEW YORK CORPORATION, AND ROOTS, INC., A NEW JERSEY CORPORATION

DON GREEN AND MICHAEL BUDMAN, INDIVIDUAL

Counterdefendants

NATURAL FOOTWEAR LIMITED, DON GREEN and MICHAEL BUDMAN,

Appellants

Appeal from the United States District Court
for the District of New Jersey
(D. C. Civil No. 79-2966)

Submitted Under Third Circuit Rule 12(6) March 21, 1980
Before: ALDISERT AND GIBBONS, ***Circuit Judges,*** **and**
Pollak, ***District Judge.***

JUDGMENT ORDER

After consideration of all contentions raised by appellant, it is

ADJUDGED AND ORDERED that the judgment of the district court be and is hereby affirmed in its original form. The modification pending appeal ordered by this court on December 28, 1979 is vacated.

Costs taxed against appellant.

BY THE COURT,

/s/

Circuit Judge

Attest:

Certified as a true copy and
issued in lieu of a formal
mandate on April 14, 1980.

Thomas F. Quinn, Clerk

Test: THOMAS F. QUINN

Clerk, United States Court of
Appeals for the Third
Circuit

DATED: March 21, 1980

UNITED STATES DISTRICT COURT
VINCENT P. BIUNNO
JUDGE
Room 411, U.S. Post Office Building
NEWARK, NEW JERSEY 07102
(201) 645-2517
(201) 642-2451

MEMORANDUM

Re: Natural Footwear, etc. v. Hart, Schaffner, etc.
Civ. 79-2966

On February 18 1983, the plaintiff-counterdefendants, Natural Footwear Limited, Don Green and Michael Budman, (hereafter "Natural") filed a motion for partial summary judgment, i.e., for summary judgment on Count 1 of the complaint, seeking an order:

1. To declare that Natural's U.S. trademark registrations are valid and in force; and

2. To direct the Commissioner of Patents and Trademarks to dismiss the Petition for Cancellation, No. 11,602 filed there by the defendant-counter-claimant, Roots, Inc. (hereafter "Roots").

Roots' brief in opposition took the position that rather than being entitled to the partial summary judgment sought, the court should enter a partial summary judgment in favor of Roots and against Natural, directing the cancellation of Natural's two registrations.

When the Natural motion came on for hearing, the court observed Roots wished to have its *de facto* cross-motion heard on short notice. Roots was then allowed to make that cross-motion orally, at the start of the hearing on the Natural motion, as allowed by F.R.Civ.P.7(b)(1). The two motions were heard together, without objection, as shown by the transcript of March 14, 1983 pages 2 and 3.

The parties also agreed in their briefs to the proposition that the court is authorized, under 15 USC §1119, to determine the right to registration and also to order the cancellation of registrations, in any action involving a registered mark. The section also provides that such orders are to be certified for appropriate entry on the trademark office records.

These cross-motions for partial summary judgment are thus directly opposed, and the parties diverge on the question whether Roots may successfully oppose Natural's registrations without establishing a secondary meaning for the word "Roots", which the opposing parties both use.

The general background is outlined in the memorandum dated December 4, 1979 granting Roots' application for preliminary injunction, later affirmed by the Court of Appeals, 620 F.2d 289 (CA-3, 1980).

Roots began as a family store, continued by the son, Perry Root, .incorporated, then sold to Hart, Schaffner & Marx in about 1965 along with the right to use the name "Roots", and now continues as a wholly owned subsidiary under the management of Perry Root. The Roots stores sell wearing apparel of all kinds, and accessories, both for men and women, aimed at a quality-conscious clientele.

While it does no manufacturing, it has its merchandise made for it, by well-known quality manufacturers, to its specifications of style, materials, workmanship and the like, and carries its labels, sometimes together with those of the manufacturer, on the goods. Most of its sales are made out of the New Jersey stores, and it does make interstate sales primarily via a mailing list to which it mails catalogs periodically. Exhibits marked at the original hearing, at discovery, and during several trial dates, include such catalogs going back at least to 1961. The articles of apparel are "suited" to all parts of the body from head to toe, from hats to shoes. A separate shoe store was opened in 1969.

Attempts to catalog or tabulate the volume of sales in different parts of the country have shown limited data. The "Rolodex" list, reproduced and provided for Natural's analysis, shows customers formerly in New Jersey who have moved elsewhere, whose new addresses are recorded, and who continue to receive catalogs. What cannot be determined is the number and activity of these customers who, on one or another trip to New Jersey to visit friends or relatives, or to attend sports events, or reunions with classmates, and the like, go to the New Jersey stores and make purchases while they are here. If there are any such patrons, their numbers do not appear and so the analyses show, at most, a minimum or floor. Others outside New Jersey have asked to be put on the mailing list.

The critical date for the purposes of this suit is May 14, 1973, when Natural filed to register "Roots" as a trademark in Canada, issuance being on December 7, 1973. The first U.S. application was filed August 13, 1973 and registered October 15, 1974, for "Footwear — Namely, Shoes, Slippers and Boots — in Class 39 (Int. Cl. 25)," No. 995,891. The benefit of the earlier Canadian date is by treaty, and there is no dispute on the point.

The second U.S. application was filed August 22, 1973, registered April 8, 1975 for the same category, No. 1,008,601. The only difference is that the second registration uses, in addition to the word "roots" (in lower case letters) a figure of a beaver in an extended semicircle, with the words "NATURAL FOOTWEAR" in smaller and finer line, below. The suit here only relates to the word "ROOTS" in either form.

Natural started up business in Canada sometime in or after 1973. The deposition testimony of Don Green, as well as the Budman affidavit, Exh. A-3, indicate that the first shipment of shoes with the claimed trademark was on December 14, 1973. The Green deposition also indicates that a store opened in Berkeley, California under the name " Roots Natural Footwear Store" sometime between December 25, 1973 and January 10, 1974. Other stores opened in 1974 and thereafter, one being a store at 118 E. 59th Street, New York City.[1]

It was in connection with inquiries about an ad run by Natural's New York City store that the existence of Natural came to Roots' attention in 1975. Perry Root tried to identify the principal and eventually wrote a letter of objection to a Mr. Novak who he understood was manager of that store, Roots Exh. 16. Some weeks later, he received a phone call from one he noted as Mr. "Goodman", but who may have been Mr. "Budman", and discussed the risk of conflict from the use of the same name by both Natural and Roots. There is no indication that the person who phoned Mr. Root made any mention of the registration of either trademark by Natural.

---

[1] By affidavit of Don Green filed December 4, 1979, it appears that Natural applied "ROOTS" to products other than shoes on or about the following starting dates:

March, 1975	Rain and Stain
April, 1975	Carrier Bag; Pens
August, 1975	Saddle Soap; Mink Oil
October, 1975	Shoe Polish
November, 1975	Scarf
1975	T-Shirt
1976	Handbag
1976	Belt
1976	Sweatshirt
1976	Woolen sweaters; woolen socks
1978	Sheepskin vests

By affidavit of Elizabeth Baer filed November 5, 1980 as the bookkeeper of Natural since August, 1974 it was explained that the records were and are kept manually and are in Toronto. Sales figures are kept without segregation by area, such as the U.S., and a separate review was needed to compile those figures, some of which are estimated. From Exh. 1 to that affidavit, it appears that sales volume from 1974 to 1978 in the categories shown was:

	1974	1978
Shoes	$ 847,625.	1,791,872.
Accessories	2,815.	79,151.
Bags	9,182.	3,796.
Clothing	(no entry)	(no entry)

Natural says that on June 2, 1977, Roots filed with the U.S. Patent and Trademark Office [PTO] a petition for cancellation of Natural's two registrations. More than two years later on October 12, 1979, Natural filed the present complaint seeking (among other things) the relief under Count 1 which is now the subject of the cross-motions for summary judgment.

For reasons not known, the proceeding in the PTO was evidently not processed between June of 1977 and October of 1979. At one of the various hearings in this case, the court recalls being told that the PTO proceeding was awaiting the outcome of this case, although at the time of the ruling on the preliminary injunction (December 4, 1979) there had evidently not been any suggestion of that, as the ruling was expressly limited to articles of clothing "other than shoes, since the dispute about shoes is pending before the Trademark Trial and Appeals Board in the U.S. Patent and Trademark Office, which has primary jurisdiction . . . "[2]

It may be that the delay in the PTO was due to a vast backlog in the PTO in that period causing a severe bottleneck, see hearings of January 24 and March 12, 1980, in "Independent Patent and Trademark Office Act, Joint Hearings on S.2079" before the Committee on Government Affairs and the Committee on the Judiciary, 96th Cong., 2nd Sess.

In any event, although the court would ordinarily be inclined to defer to PTO, the existence of authority to deal directly with the question by virtue of 15 U.S.C. §1119, and the agreement of the parties that it should do so in the face of the inaction at the agency, persuades it to proceed.

The controlling section of the statute is 15 U.S.C. §1052, and, in particular, subsection (d). The format of the section directs that no "trade-mark" by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature "UNLESS".

---

[2] The preliminary injunction did not apply to shoes for that reason. On Natural's application, a motion panel restricted the injunction as to other apparel to New Jersey and New York, but the merits panel affirmed and expressly did so without geographic limitation.

There then follow five subsections (a) through (e) which identify categories of trademarks to which one or another subsection stands as a bar to registration, and subsection (f), which deals with a matter of prima facie evidence.

To illustrate, under (a) a trademark consisting of immoral, deceptive, or scandalous matter is barred. So also is one consisting of matter that may disparage, or falsely suggest a connection with persons "living or dead", or institutions, beliefs, or national symbols, or bring them into contempt or disrepute.

The flag, coat of arms or insignia or (similation thereof) of the United States, of any State or municipality, or of any foreign nation, is matter barred from registration under (b).

Subsection (c) bars use of the name, portrait or signature "identifying a particular living individual" except by his written consent [see, e.g., *Edison* v. *Edison Polyform, etc.*, 73 N.J. Eq. 136 (Ch. 1907)], or the name, signature or portrait of a deceased President of the United States during the life of his widow without her written consent.

Subsection (d), the one of interest here, bars registration when the trade-mark applied for consists of or comprises a mark which so resembles:

. . . a mark registered in the PTO, or

> . . . a "mark" OR a "trade name" previously used in the United States by another and not abandoned,

as to be likely, when applied to the goods of the applicant, to cause confusion, or to cause mistake, or to deceive.[3]

There then follows a proviso authorizing issuance of concurrent registrations on the basis of a determination that confusion, mistake or deception "is not likely to result from the continued use by more than one person of the same or similar marks" under specified conditions. The proviso is not involved in the present cross-motions, which are directed to the propriety of the registrations by Natural, and the claim of Roots that they should be cancelled.[4]

The argument is a matter of law and centers on the question whether Natural's mark was barred from registration under (d) in the face of Roots' earlier use, not only for shoes but for other articles of clothing as well.[5]

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[3] The subsection provisions of 15 USC §1052 which are specified by Congress as barring registration evidently reflect a variety of purposes or objectives, some of which are of a regulatory nature to protect the public interest as Congress perceives it, others of which are designed to protect privacy or existing business or property interests, and others of which seem to have mixed purposes. The specific part of subsection (d) involved here is evidently a reflection of such mixed purposes, just as the widely recognized principles of unfair competition are designed to protect the public from avoidable confusion, mistake or deception and, at the same time protect a manufacturer or merchant against unethical diversion of sales. National policy thus encourages competition but insists that the competition be fair.

[4] Natural's two registrations are territorially unrestricted. In theory, if valid, they could bar Roots use of its name or label not only in shoes, but also in other articles of apparel some of which are sold regularly to Filene's in Boston for sale there under the Roots name. See Tr. 11/1/79, p. 59. See also reported decisions on related categories of goods, infra.

[5] The operation of Roots goes back to 1917 when Perry Root's father began it. From 1950 on, when Perry Root went into the business he has worked to change the policy from one of purveying merchandise under the name of the manufacturer to making it a private label store to strengthen the name Roots. See Tr. 10/31/79, p. 5 line 22 to p. 6, line 7. The seniority time span is large, rather than close as in *Alfred etc.* v. *Alford etc.*, infra or as in *Dynamet*, infra.

Natural claims that the bar does not operate unless Roots can show not only that it used "Roots" for footwear before May 14, 1973 but also that it had acquired "secondary meaning" before that date, throughout the United States, "for footwear".

Roots takes the position that the bar of (d) arises without the need for it to establish secondary meaning.

Of the two positions, the court is satisfied that the one taken by Roots is clearly correct, and so its cross-motion for summary judgment will be granted, and Natural's motion will be denied.

This result follows from the clear language of the statute, in which Congress used specific statutory terms and words defined by it in 15 U.S.C. § 1127.

Senior use bars registration whether the senior use be an unregistered "mark" or a "trade name", so long as the senior use was in the United States and has not been abandoned, when registration would be likely, when applied to the goods of the applicant, to cause confusion or mistake or to deceive. Here, the two are the same — both are "ROOTS". Roots has not used the earlier possessive form "ROOT'S" since 1969 or 1970 (tr.,3/14/73, p.7, lines 3-4). The contract of sale in 1965 to Hart, Schaffner & Marx, Root Exh.P-2 at the deposition 3/12/82, submitted by Natural in support of its motion provides in Paragraph Fourth (d):

> "That the Purchaser shall have acquired the exclusive right, use and possession of the name Root's Inc., or some similar name acceptable to the Purchaser."

The corporate subsidiary which is defendant here is "ROOTS, INC.", with no apostrophe. Even were this not so, it would be a difference of no matter. Stores known as Macy's or Wanamaker's or Banberger's, or Robinson's, or Gimbel's or Sears, commonly are used interchangeably without the apostrophe by the general public. It makes not a scintilla of difference in terms of likelihood of confusion, mistake or deception.[6]

The word "mark" includes any trade-mark, service mark, collective mark or certification mark entitled to registration "whether registered or not."

The term "trade name" includes individual names and surnames, firm names and trade names used by **"merchants"** to identify their businesses, as well as the names or titles lawfully adopted and used by ***"corporations"*** engaged in trade or commerce and capable of suing and being sued in a court of law.[7]

The term "trade-mark" includes any word or name to identify the goods of

> . . . a manufacturer to distinguish from those manufactured by others, or of

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[6] Some merchants who are large enough market many products with their own "house label", made for them to their specifications by manufacturers in particular lines of business. They are large enough to change manufacturers if they choose, even though the house label remains the same. See the discussion of this in the patent infringement context where it may be vital for the patentee to sue such a "customer" for infringement rather than the manufacturer of the moment, in *Dicar, Inc.* v. *L.E. Sauer Machine Co.*, 530 F. Supp. 1083, at 1090 (D-N.J. 1982).

Nor is such a merchant limited to a single house label. It is well enough known to be the subject of judicial notice that Sears, Roebuck & Co. has used names or marks such as "Coldspot" (refrigerators, air-conditioners); "Silvertone" (radios); "Kenmore" (stoves, ovens, dishwashers, clothes washers and driers, electric irons, food mixers, toasters, can openers, carpet sweepers); "Harmony House" (sheets, blankets); "Homart" (water heaters); "Craftsman" (workshop and garden tools and machines, snow blowers, kitchen knives). Montgomery Ward, on the other hand, largely uses the house label "Signature" for many items of like nature.

The evidence so far adduced indicates that Roots engages in this practice for some of its goods by using house names such as "Summit" for a particular model of suit made and sold as a Roots suit.

[7] The corporate name "Roots, Inc." fits this definition as does the single word or name "Roots."

> . . . a merchant to distinguish them from those sold by others.[8]

Senior use of a trade name will therefore bar registration of a trade-mark under the conditions of subsection (d) without regard to "secondary meaning".

Secondary meaning, when pertinent, may be an essential element to show on an application to register, but it has no significance in law for the bar of subsection (d).

The ruling does not address the question whether Roots, or Hart, Schaffner & Marx, has or will be able to show secondary meaning. If relevant to the remaining issues, that will be a matter for trail.

The precedents dealing with the point in agreement. See *Ford Motor Co.* v. *Ford,* 462 F.2d 1405 (CCPA, 1972); *Blanchard Importing etc.,* v. *Chas. Gilman etc.,* 353 F.2d 400 (CA-1, 1965) (right to cancellation not limited to prior use of technical trademark; any prior use of a name or word is sufficient where the prior user is injured by the registration); *Dynamet Technology* v. *Dynamet, Inc.,* 593 F.2d 1007 (CCPA, 1979) (period of *trade name* use of a word may be racked on to its first date of *trademark* use to establish priority in an interference); *Alfred Electronics* v. *Alford Mfg. Co.,* 333 F.2d 912 (CCPA, 1964) (the resembling trade name which bars registration need not be inherently distinctive or have acquired secondary meaning).

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[8] The definition is written here in physically divided style to make clear that Congress intends a "trade-mark" to include not only the means used by a manufacturer to distinguish his goods from those manufactured by others, but also used by a merchant to distinguish his goods from those sold by others. It is very common, for instance, for men's hats to carry the maker's name on the crown lining (if there is one) and on the leather seatband inside, but also to have embossed on the sweatband the name of the merchant who sold it. This is more than advertising, for it identifies source indisputably and is a valuable feature for the customer seeking correction or adjustment for a defect.

Cases like *Scott Paper Co.* v. *Scott's Liquid Gold, Inc.* 589 F.2d 1225 (CA-3, 1978) are not in point primarily because of the difference in product. Also, in *Scott,* plaintiff saw the mark applied for when it was published for opposition purposes, asked for and received an extension of time to file, but decided not to. Finally, both names had originally begun as surnames. But, c.f. *Hunt Foods etc.* v. *Gerson Stewart Corp.,* 367 F.2d 431 (CCPA-1966) ("HUNT" denied registration for general purpose cleaning compounds as against plaintiff's senior use for canned food products.)[9]

Nor is *N. Hess & Sons, Inc.* v. *Hess Apparel, Inc.,* 216 USPQ 721 (D-Md., 1982) pertinent. While the suit was under the Lanham Act, it was under §43(a), 15 U.S.C. §1125(a), for false designation of origin, etc., which is governed by essentially the same principles as unfair competition cases under State law in most instances. See, e.g., *SK & Co.* v. *Premo, etc.,* 625 F.2d 1055, at 1065-6 (CA-3,1980). There was no trademark registration involved even though both Hess family businesses had been conducted for generations in adjoining areas of Maryland (metropolitan Baltimore and Eastern Shore), and leased stores in the same shopping center in Cockeysville, with a Sears and a Bambergers store as the major tenants. There is no mention or discussion of 15 U.S.C. §1052(d). Also, the court understands the case was appealed a year ago but no ruling had come down.[10]

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[9] Neither the *Holiday Inn* case, 409 F.2d 614 (CA-3,1969), nor the *Weiner King* case, 192 USPQ 353 (CA-3,1976); 615 F.2d 512 (CCPA, 1980) applies here. Both involved enterprises of a nature such that revenue from a patron or customer could be derived *only* from the physical presence of the person at the specific location. A hotel cannot derive revenue unless the patron goes to the hotel (whether to rent a room or use other facilities.) The same is true of the typical "fast food" counter operation selling hot dogs. This element is obvious from a reading of both cases, especially since the *Holiday Inn* case affirmed plaintiff's superior claim to the name but postponed injunctive relief until such time as it opened a hotel in the Virgin Islands. Those familiar with St. Thomas and with the case are aware that Holiday Inn did build a hotel there, but chose to call it Frenchman's Reef, leaving the junior user where it was.

While this element is doubtless present here for major items such as men's suits, it is not present at all for items of apparel easily sold by mail. Nor is it present for those Roots goods sold by its label to other merchants elsewhere, such as Filene's in Boston, for sale by them there.

So far as similarity or relationship of the goods, the court notes that Natural's argument, discussed above, is specifically directed to Roots' use on footwear or shoes, wholly ignoring the extensive record already compiled in respect to labels affixed to other kinds of apparel for a very long time.

The reported cases indicate that exact identity of goods is not required for the bar of §1052(d) to operate. Examples are:

> *R.H. Macy & Co.* v. *H.W. Carter & Sons*, 12 F.2d 190 (CA-DC, 1926) (senior use of "Irontex" for hosiery precluded its registration for coats).
>
> *Cluett, Peabody & Co.* v. *Wright*, 46 F.2d 711 (CCPA, 1931) (senior use of "Arrow" for shirts and collars precluded use of "Air-O" for belts).
>
> *Re Keller etc.*, 81 F.2d 399 (CCPA), 1936, cert. den. 298 U.S. 656 (senior registration of "Timely" for *shoes* precluded junior registration for *men's clothing*).
>
> *Jos. S. Cohen etc.* v. *Hearst etc.*, 220 F.2d 763 (CCPA, 1955) (senior use of "Good Housekeeping" as a certification mark on products advertised in magazine precluded registration of "Good Housekeeper" on dresses, frocks, pajamas, etc.).

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[10] The commonest solution to the problem faced by a junior entrant faced by an existing user with considerable seniority is the usual business decision of selecting another name as soon as possible and concentrating on sales rather than litigation. From what is in the record so far, Natural seems to have selected "Roots" to convey an association with the negative-heel "Earth" shoe. It could have switched to "ANTAEUS", the name of Neptune's son whose strength was invincible while he stayed in contact with the Earth.

General Shoe Corp. v. *Lerner Bros.*, 254 F.2d 154 (CCPA, 1958) (senior use of "Holiday" for men's boots and *shoes* barred use of same word on men's *sport shirts*).

General Shoe Corp. v. *Hollywood-Maxwell Co.*, 277 F.2d 169 (CCPA, 1960) (senior registration of "Ingenue" for women's *shoes* barred registration of same word for *brassieres*).

Carlisle Shoe Co. v. *S.A. Roger Fare*, 278 F.2d 519 (CCPA, 1960) (senior registration of mark "Mademoiselle" for ladies' *shoes* precluded registration of "Le Gant Mademoiselle" for ladies *gloves*).

Application of Apparel, Inc., 366 F.2d 1022 (CCPA, 1966) (Senior mark "Peaches and Cream" for towelling barred later registration of "Peaches 'n' Cream" for children's dresses).

Submit order granting Roots' cross-motion and denying Natural's motion, but without direction to the PTO to cancel, since the ruling is a partial disposition and there are other issues for trial, and the decision is subject to revision before the entry of final judgment, F.R.Civ.P.54(b).

August 18, 1983

/s/ Vincent P. Biunno, U.S.D.J.

Original to Clerk
Copy to: John T. Dolan, Esq.
John C. Lifland, Esq.

United States District Court for the District of New Jersey

Civ. 79-2966

NATURAL FOOTWEAR LIMITED,

Plaintiff,

vs.

HART SCHAFFNER & MARX AND ROOTS, INC.,

Defendants,

and

ROOTS, INC.,

Counterclaimant,

vs.

DON GREEN, MICHAEL BUDMAN, AND NATURAL FOOTWEAR LIMITED,

Counterclaim Defendants.

Appearances

Crummy, Del Deo, Dolan & Purcell, Esqs., by John T. Dolan, Esq., Arnold B. Calmann, Esq. and Brian J. McMahon, Esq. (Newark), attorneys, and Baker & McKenzie, Esqs., by Hoerst Werder, Esq., and Leslie Bertagnolli, Esq., (Chicago), of counsel, for plaintiff and counterclaim defendants.

Stryker, Tams & Dill, Esqs., by William Heller, Esq. (Newark) attorneys; and Pattishall, McAuliffe & Hofstetter, Esqs., by Thomas Hofstetter, Esq. and Patricia Smart, Esq. (Chicago) of counsel, for defendants and counterclaimant.

OPINION

BIUNNO, Senior District Judge.

This lawsuit involves the respective rights of Natural Footwear, Ltd., a Canadian corporation and Don Green and Michael Budman (collectively, "Natural") on the one hand, and Hart, Schaffner & Marx and Roots, Inc., (collectively, "Roots") to the use of the tradename and mark "Roots" in respect to the business of selling shoes, and other articles of apparel and as applied to the goods themselves.

Roots began operations in Jersey City in 1917 as a retail store founded by Adolph Root, selling articles of apparel and some housewares (such as curtains) of various brands. Eventually the store located in Summit, N.J. and it was there, in about 1950, that the founder's son, Perry Root, undertook a program to enhance the name by obtaining and selling what is called "private label" goods of a style and quality referred to as aimed at the "upscale market".

Private label goods are goods manufactured by others according to the style, materials, colors and other features selected by the merchant and with the merchant's label, sometimes alone and sometimes together with the manufacturer's label.

Perry Root also undertook to establish the name and reputation of the business and its goods beyond the geographic area directly served by the store through two major modes. One was an advertising campaign consisting of mail order ads in the New Yorker magazine, which has a national circulation, and the other by the building up of a list of customers both within and without the State of New Jersey, to whom seasonal brochures or catalogs were regularly mailed.

By 1965, his effort had achieved sufficient success to make the business an attractive one for acquisition, and in that year the assets, goodwill and the exclusive use of the name were sold to Hart Schaffner & Marx which placed its acquisition into a wholly-owned subsidiary, Roots, Inc., a New Jersey corporation. Since then the business has prospered, and sales have increased, under the management of Perry Root who has continued as president of Roots, Inc., and has opened a number of additional stores in New Jersey. There are plans for another Roots store to be opened in Boston, where Roots labeled merchandise has been sold on several occasions through the well-known Filene's store there. The name "Roots" has never been registered as a trademark under the Lanham Act although interstate sales have been made with the name Roots, both as a service mark and as the mark of the goods themselves, for a long period of time.

Whatever rights Roots has, then, are of common law origin as part of a tradename and as a trademark for its labelled goods.

Natural was begun in Toronto, Canada by Don Green and Michael Budman, both originally from Detroit, in about 1973. The historical account given is that while the pair were searching for a business to go into, they saw a pair of "earth shoes" that a friend had purchased at a store in Ann Arbor, and saw in that shoe a possible business opportunity. The earth shoe is described as one designed around a sole in which the heel of the foot is substantially below the level of the sole, an arrangement thought to provide a more natural mode for walking since the sole could not bend and was rocked, while walking, from heel to toe. It is said that the sole was the subject of a patent issued to an inventor in Denmark, but aside from oral testimony of the witnesses on the subject, and some printed articles in the newspapers or in advertising matter, no formal evidence of the patent was introduced. The basic design is called a "negative heel" shoe.

In any event, Don and Michael decided to try out the earth shoe. On their next visit to Detroit, they drove to Ann Arbor and each bought a pair at the store there (which sold only the earth shoe). They liked the shoe and felt it could be profitably sold in Canada, and so attempted to locate a representative of the manufacturer. They found Mr. Jacobs, a distributor in New York, who was the U.S. representative and, together with Don Green's father, who evidently had extensive business experience as a manufacturer in the auto parts business, they went to New York and met Jacobs.

When they explained to him their interest in making arrangements for a Canadian franchise to market the earth shoe in Canada, he is said to have supported the idea but to have explained that it would not be commercially feasible to do so because of the added expense of customs duties to import the shoe to Canada. He suggested that if they were interested, they would do better to find a manufacturer in Canada to produce the shoe for them. This was in about August of 1972.

They left in an enthusiastic and high-spirited mood, and began searching for shoe manufacturers and a retail store location. They had also been interested in marketing a brand of ice cream and a brand of yogurt, and had made one phone call to the ice cream company but never approached the yogurt company, although neither brand was then marketed in Canada.

Between August and November, 1972 they visited at least 10 shoe manufacturers in the Toronto area after discovering (from yellow pages listings) that it was a shoe manufacturing center, although neither had any technical background at all in the shoe manufacturing business.

In November, 1972, Don, Michael and Don's father again visited Jacobs in New York, and were extremely disappointed. Jacobs' attitude seemed to have changed greatly, and he was very vague. He said he had just opened an earth shoe factory in Massachusetts, and when they said they would like to see it, he replied that he did not want them to visit it. He had just set it up and did not want any visitors at that time.

Having put months of energy into the effort, Don and Michael felt Jacobs was misleading them and was not interested in their opening a Toronto store, or manufacturing the shoe in Canada. He had changed completely from being very positive to very negative.

So, instead of seeking a Canadian franchise from Jacobs, they discussed making improvements to the earth shoe and making their own product. The literature for the earth shoe they had bought had a "patent pending" indication. Don's father said he would have his Detroit lawyer look into the patent, and as a consequence they learned that a Danish woman, Anna Kalso had a patent (in the U.S. only) on the sole of the shoe, specifically on the items of the arch support and the slope of the heel. How the patent aspect was resolved does not appear. It may have expired. If it did, this would explain the opening of the Jacobs factory and his changed attitude.

In late November, 1972, Don and Michael met the Kowalewski family in Toronto as the BOA Shoe Company, the first name they found in the yellow pages. Mr. Kowalewski had emigrated from Poland to Argentina, and after some years there emigrated to Canada where they settled in Toronto.

Mr. Kowalewski was a highly skilled shoemaker specializing in custom made shoes for customers with foot problems who needed shoes that would fit them properly. Their work was very customized and very little, mostly special orders, was sold to retail outlets. The business was successful but small, and in an effort to enter the mass production market and compete with existing factories, it lacked the facilities and manpower and got into debt. An ad was placed in a Toronto paper to sell the business or find a partner who could provide financial backing, and about this time (though not in response to the ad) Don and Michael showed up looking for someone able to make an improved and modified earth shoe with a negative heel.

They had worn their earth shoes for some months and found them severe and uncomfortable. The heel slope was severe and the arch support hit the foot in the wrong place.

Don and Michael showed Kowalewski the earth shoes they had and asked if he could make them. He said he could although the design and workmanship could be improved. Some elements for improvement came from Don and Michael, others from Kowalewski. The difficulties and their solutions were as follows:

1. The difference in level between the sole and heel was too great for comfort; it was decided to lower the level of the sole.

2. The arch support embodied in the sole was too far forward and too near the ball of the foot to be comfortable; it was decided to move it back.

3. The earth shoe had no heel counter (the stiffened part of the upper that hold the back of the foot in place); it was decided to add heel counters.

4. The toe of the shoe upper was unsupported, leaving the toes subject to injury; it was decided to use a box toe.

To manufacture prototypes or samples, gum rubber soles of the new design were needed. A Toronto company could form the soles but needed a mold. Working with a model presumably made by Kowalewski, molds were made in Italy for a size 9 shoe (which both Don and Michael wore). The molding company made some soles and the Kowalewskis built them into shoes as prototypes.

Everyone was pleased with the results, feeling that the prototype modification was superior to the original earth shoe.

The first sample mold was made in June, 1973. Michael thinks he called Jacobs in New York to report their progress, but he was very discouraging.

Being satisfied with the redesigned sole, molds were ordered for the range of sizes from 5 through 12, hoping to have them finished by the end of July before the mold shops in Italy closed for the month of August. The deadline was met and the array of molds arrived in early August, 1973.

Meanwhile, the Kowalewskis were designing patterns for the uppers and making uppers, as well as 25 samples for the size 9 mold they had, in different samples, so that a number of people could try them out. They sent 6 pair of these size 9 samples to Don's brother, Richard, in Berkeley, California where he was a student at University of California to try out.

By the end of July, while awaiting the molds, the Kowalewskis had designed the uppers in all 8 sizes in 6 or 7 styles and were producing them. When the molds arrived the soles were pressed and the shoes finished. A typical sole in Exh. P-144A.

The first store opened in Toronto on August 15, 1973 with Don and Michael as the sales persons, and with an inventory of 125 pair in all sizes, with 6 or 7 styles.

Before that, in the earlier part of 1973, Don and Michael considered selection of a name and symbol for their product going into the market. Michael testified that in about March, 1973 while he and Don were driving to their cabin, Don mentioned that he had noticed the word "roots" in a biology or botany book of a girlfriend and thought it would be a good name to use. They had previously talked about "roots" in respect to family background, and the word had also been used on the jacket of a popular phonograph record. Michael said the selection did not come from Alex Haley's book, or the TV series, which were in 1975.

The name was given to Burns and Cooper, a graphic designer and illustrating firm in Toronto that specialized in trademarks, symbols and logos and discussed it. Burns prepared artwork for the name "Liberty Boots", but Don and Michael did not like the name or the symbol. They wanted "roots" and a symbol with a Canadian identity. A week or 10 days later, Burns had prepared a symbol and logo using "roots", plus a beaver in a semi-circle and "Natural Footwear" (evidently much like the design shown on the registration, Exh. B to the complaint).

A store location was found in Toronto with a semi-circle facade that the design would fit and this was the place they picked, taking possession about April 1, 1973.

They then consulted the Canadian lawyer, Mr. Marvin Cohen, who had formed the Don-Michael partnership (later renamed Brian-Joel) for advice on securing trademark protection. He in turn referred them to a patent and trademark lawyer in Canada, Mr. Iver Hughes in April, 1973. Don's father suggested they look into securing name protection in the U.S. in case they ever decided to do business there. Mr. Hughes briefly described the procedure and said he would need to make some type of search in Canada and the U.S. to see if it had been trademarked.

In early June, 1973, Hughes notified them that they would be able to use "roots" and the symbol in both Canada and the U.S., and the registration was thereafter accomplished in about mid-1973 in Canada, and within two months after that, in the United States. The search documents are not in the record, though sought.

[Michael Budman's recollection is not quite the same as is shown on the U.S. registrations. No. 995,891 recites a Canadian application for "ROOTS" filed May 14, 1973, and the U.S. application August 13, 1973. The design and symbol, No. 1,008,601, recites a Canadian application filed July 5, 1973 and the U.S. Application August 22, 1973.]

The Toronto store was prepared and furnished in mostly natural materials, such as oiled natural oak and natural cedar (with no stain). It opened on August 15, 1973. Don and Michael staffed it for two or three weeks, with a helper on weekends, and then hired their first store employee. The demand proved to be "phenomenal" and it became necessary to plan more production and make new arrangements with the Kowalewskis.

Initially, Don and Michael bought all the materials (soles, lasts, leather, patterns, and so on) except small items (glue, laces, thread and eyelets), while the Kowalewskis provided the labor on a piecework basis. Around the end of September, 1973 arrangements were made to buy all assets of BOA Shoe Co. from the Kowalewskis for $20,000, to get larger facilities and more machinery, and worked out an employment arrangement to pay the Kowalewskis a salary plus a bonus based on the excess over the first 12 months' estimated production of 25,000 pair. The new location opened in October, and actual production in the first 12 months ended up at 125,000 pair. At one point, they reached 400 to 500 pair a day. The factory continued at its new location until May of 1974 when they again outgrew it.

A second Canadian retail store was opened in Montreal in December, 1973. The first shipment of production shoes into the U.S. was December 14, 1973 to Don's brother Richard, in Berkeley, Cal. His store opened in the period between Christmas, 1973 and early January, 1974.

Without setting down the extensive detail adduced at the final 12 days of trial, the record shows that Natural undertook to market its own modified negative heel shoe in Canada and the United States through two major modes: one was through so called "company stores", which were owned 50% each by Don and Michael, and the other was through "franchise" stores. In both cases, the only goods sold were the shoes made by Natural in Canada, along with small quantities of "accessories" such as shoe polish, saddle soap, mink oil, belts, scarves, wallets, leather bags, and some T-shirts, socks and hosiery, all of which (except the leather goods) were made by others for Natural and carried the name and logo.

The testimony is that franchise stores paid no license fee or commission for the franchise but were committed to buy their inventory only from Natural and to sell no one else's goods. At some early stage in about late December, 1973 an intermediate wholesaler was formed in Detroit called Century Importers, owned 48% each by Don and Michael and 4%

by Don's father. The purpose of Century was to simplify the task of clearing U.S. customs and paying import duty. the goods evidently were shipped by air to a single airport, with each carton addressed to the consignee store, where Century would attend to the customs duty and services of a customs broker. The goods were invoiced to Century at one price and it, in turn, invoiced the U.S. retailers after a markup.

There is no clear measure of the pricing arrangements. Don Green testified that the factory cost for goods manufactured by Natural in its own factory was marked up 20% for sale to retailers, and goods made by others for Natural were marked up by it by 10%. See 11/2/79 Transcript page 130, line 21 to page 132, line 13, for example.

Exh. P-70 marked on 10/25/83 shows the "markup" reflected in the price to U.S. stores over the price charged by Natural to Century, for shoes, to range from a low of 10.16% ($3. out of $29.50) to a high of 22.97% ($4.25 out of $18.50).

Michael Budman's testimony in the afternoon of October 24, 1983 was that for an item that cost $10. to make in Toronto, the price to Century was $13. (or 23%). Customs duty would be 8% of the $13., or $1.04 and the broker's fee would be 10% or $1.30, for a total of $15.34 (Mr. Budman said $14.50), and Century would then sell to the retail outlet for $17.00, and the price to the customer would be $35 for this example, which indicates a 23% markup from factory to Century, about 9% from Century to retailer, and about 50% from retailer to customer.

The revised Exh. P-91A (marked 10/25/83) shos that the U.S. stores were opened more or less in time groups. Aside from the Berkely store, opened in December, 1973 or January, 1974, 4 stores were opened in March, 1974, 3 in June, 1974, one in August, 1974, 3 in September, 1974 and one each in October and November, 1974. During 1975, 5 opened in January, one in February, 7 in March, one in May, 2 in June, 2 in July, 3 in August, 2 in September, 4 in October and 2 in November. During 1976, there were 11 stores opened from

February to September. Only one store opened in each of 1977 and 1978.

Of these 54 U.S. stores (two of which may be location transfers), 22 had closed by about June of 1977 and 18 more had closed by August of 1979 (before the present complaint was filed). In all, 16 stores remained in operation and of these, 7 had changed name and no longer carried Natural's shoes exclusively.

Mr. Budman testified on the morning of October 25, 1983 that in 1977 Natural had a change of philosophy as the negative heel began to wane in popularity, and it developed new products because the stores could not survive if they were not successful. Many customers told them they liked the quality of the shoe but were not happy with the negative heel, so they revamped the styles.

Richard Kowalewski testified that the first shoe Natural made with a positive heel was in April, 1977 (Tr.p.1.114 et seq.), and see, also, Exh. P-144. Negative heel shoes are still made today, but Natural makes more positive heel shoes than before, and the small number with negative heel go mostly to Europe (Tr.p. 1.153, 1.154). In recent years, as shown by actual shoes marked in evidence, the trend has been away from the molded gum rubber soles, used mostly for athletic shoes, boat shoes, hiking shoes and boots, and the like, to all-leather shoes of the traditional type such as loafers, and a number of styles of the business shoe type.

Also, in early 1977, Mr. Budman testified that Natural explored selling shoes through established outlets. They met with a Saks buyer in New York and showed a line of 6 or 7 shoes or boots and obtained an order to start delivery in 1977, for tryout in 7 Saks stores. The shoes are shipped to a central warehouse in the New York City area, labelled for the particular stores, and Saks attends to the distribution from there. In this period, about 20 of the U.S. stores closed. Some were in secondary locations and lacked the finances to keep going when sales diminished. So Natural decided to concentrate on the factory level to develop new products and not devote time involved in operating company stores. The situation was not working for them and they saw their future with department stores where an order from one buyer would reach many retail outlets in the chain. The first ad by Saks in the N.Y. Times was in September, 1977 when Natural's shoes were put on sale there for the first time. The ad, Exh. P-119, uses the name "Roots".

When the September, 1977 Saks ad appeared, both Don and Michael were aware of Roots, Inc. and of the cancellation petition dated May 18, 1977 and filed June 2, 1977 with the U.S. Patent and Trademark Office (see Complaint, par. 10 and Exhibit C, the institution of which is admitted in the Answer and Counterclaim). At first, Mr. Budman testified at trial that he first learned of the cancellation petition in about August, 1977 from his Toronto attorney. Later on (in his cross-examination) he said he became aware of Roots, Inc. several months before the ad and spoke to Perry Root by phone in the Summer. Don Green testified at the preliminary injunction hearing that "we" became aware of Roots in the Spring of 1977 through the cancellation petition (11/1/79 Transcript, pages 69-71). Mr. Budman testified he never heard of Roots, Inc. before the 1977 cancellation petition. Mr. Green was asked if he had heard (before the 1977 phone call) of Perry Root's letter of June 20, 1975 to Mr. Novak, the manager of the New York store operated by Natural, and he said he had not (11/1/79 Transcript, p.71). The answers to interrogatories report that Mr. Novak is no longer with Natural and his whereabouts are not known.

In any event Saks was not told about the trademark cancellation petition, and they continued to market shoes through that chain of stores.

The change of selling channels continued, and in 1978 Natural also began to sell shoes to Bloomingdale (N.Y.) and Nordstrom (California). There was no longer any need for Century Importing because Natural could ship directly to Saks' central warehouse at landed cost, and because of the closing of the stores that had been used in the U.S., they did not want the expense of an office and a corporation in Detroit.

Early in 1979, the Saks merchandise manager for men's clothing (including shoes) suggested that Natural consider bringing out a line of clothing for the Fall of 1979 to be tried out in New York, Chicago and Detroit. This was to include leather and suede jackets, pants, sweaters, blazers and accessories. Goods of this kind had not been sold anywhere by Natural before this.

Don and Michael returned to Toronto and by the end of March, 1979 had style prototypes ready, some made in their factory and some elsewhere, but to their patterns and materials. A Saks representative was sent to Toronto to see the samples, and he bought the line, placing an order for $50,000 to $60,000 of merchandise. The goods were shipped in August, 1979 and the offering at the three stores was a success, accompanied by considerable publicity.

But in October, 1979 the issue of the U.S. trademark came up again. Their Toronto attorney, Mr. Hughes, said that the U.S. Attorney, Mr. Dominik, had reported revived activity and recommended a meeting with him, which was held in Toronto. At the meeting, Dominik reported that Don, Michael and Natural were faced with a lawsuit in New York and that he felt it was serious. His view was that Natural should file suit first in New Jersey. Mr. Hughes concurred, and it was done. (See the Complaint, par. 12 and the Answer, par. 12).

After the preliminary injunction in December, 1979 (dealing with wearing apparel other than shoes) Natural took the clothing out of Saks and returned it to Toronto where it was sold through a Toronto boutique.

Although the preliminary injunction did not prevent Natural from selling apparel under any brand or mark other than "Roots", this was not done, and Saks never asked if they would market the same line under the Don-Michael label or some other label, although some clothing was shipped in to the U.S. under the Don-Michael label, but not to Saks. Saks did not lose enthusiasm after the injunction but was nervous about getting into litigation. The Fall, 1979 order for Spring, 1980 (Exh. P-78) was cancelled as a joint decision of Natural and Saks.

Since then, Natural has continued to develop the clothing line and as of final trial in 1983, the business is 60% shoes and 40% clothing, the clothing being sold mostly in Canada and Europe, with some in the U.S. under the Don-Michael name. As of the same time there were two Natural stores in Michigan, while the ones left in Seattle and San Francisco have changed their names.

From this detailed summary of a much lengthier account the pattern of Natural's history seems fairly clear. The enterprise began as an idea to manufacture a patented Danish shoe in Canada for sale there under some kind of franchise from or through Mr. Jacobs but those negotiations collapsed and a modified design of negative heel shoe was produced under the name "Roots", registered in both Canada and the United States.

The early success was exceptionally good. In the first full calendar year, 1974, shoe sales to the U.S. were $865. thousand, and in 1975 topped $3.7 million. After that sales declined, with fluctuations, at the following levels (rounded off):

1976	$2.9 million	1980	$1.6 million
1977	1.9 million	1981	1.5 million
1978	1.5 million	1982	1.9 million
1979	2.0 million		

The peak year, 1975, is the year of a major advertising campaign involving expenses of some $300,000 paid by Century Importing alone. It is also the year in which Haley's book and the TV series, "Roots" received massive national attention and the good fortune of that coincidence is mentioned in an article in December, 1977, quoting Mr. Budman to that effect, Exh. P-81.

Despite this, sales evidently were not enough to sustain the company store and franchise store network, and many stores closed in 1976. The evidence is that the attraction of the negative heel declined, and the heavy sales may have satisfied much of the demand, especially for the curious.

Changing to regular heel shoes and marketing through department stores, all of which began in 1977 was not enough to keep Natural's sales from declining by about one-third in 1977, and still more in 1978. There was a one-third increase from 1978 to 1979, then two more declining years, followed by a 25% or so rise from 1981 to 1982, which about matched 1977.

Not a great deal can be told from these figures because of a number of uncertainties. The figures are dollars, not units, and so how much reflects inflation over the term is unknown. The discontinued stores doubtless had some inventory, and there is some testimony by Mr. Budman that this was either sent back to Toronto or sold to a wholesaler in Florida who could match up broken sizes. There is no information about the volume involved either as units or in dollars.

The parties and witnesses quite obviously went to great lengths to try to bring greater precision to the details, but as the lengthy testimony and numerous exhibits (some modified and updated during trial) show quite clearly, the manual bookkeeping system used simply did not record the kind of breakdown and detail that was sought to be gathered, and as Ms. Elizabeth Baer noted in her affidavit in early 1980, reconstructing that detail would be an enormous undertaking.

But it does not matter because the broad lines do appear and complete precision or accuracy is not essential for a fair understanding of the issues and for sound findings of fact.

In the case of Roots, Inc., a much older operation, the broad pattern is plainly discernable without the need for detailed breakdown and utter precision. The figures of significance begin with fiscal 1966 (there were only 3 months to fiscal 1965 after Hart Schaffner & Marx purchased Roots). Total sales that year were $1.7 million (rounded). By fiscal

1973 (just before major production by Natural) they had risen some 2.3 times to nearly $4. million. There have been increased sales in every year, and no decline, and by fiscal 1982 had reached $11.3 million which is nearly three times the 1973 level and nearly seven times the 1966 level. These are total figures, taken from Exh. CC-63 (marked 10/31/83).

The figures for footwear are equally instructive, starting in 1969 (the year Roots opened a separate shoe store) at the nominal level of $28,150., increased by fiscal 1982 to $548,489. This history shows declines along the way, as from 1973 to 1974 to 1975, from 1979 to 1980, with 1979 the highest volume in the series, but the overall increase is in two trends, one from 1969 to 1976, and then another rise from 1977 on.

In both cases, the magnitudes are small. Some perspective is obtained from the figures discussed in *Brown Shoe* v. *U.S.*, 370 U.S. 294 (1962), especially at pages 519 to 523. They show for example that as of some 30 years ago, the G.R. Kinney Company, Inc. was the eighth largest company by dollar volume selling shoes in the U.S. Its annual retail sales were more than $42. million and it sold less than 2% of the total. This means that total U.S. retail sales of shoes were then more than $2. billion. Increasing population combined with inflation have doubtless increased that total since the middle 1950's. The figures for Brown Shoe (370 U.S. at 522) for 1955 are that it then produced 25.6 million pairs of shoes or 4% of the Nation's total footwear production. This means that total production was of the order of 640 million pairs in that year, and population increases have no doubt made that total grow.

It is in this sense that both enterprises are small, even though they are surely very important to their respective owners and operators. The dispute, as well as the respective rights, duties and obligations involves only Natural and Roots. None but these two are known to be in the apparel business, including footwear, in the United States, according to the record of the case, using the name or mark "ROOTS".

After the witnesses had finished their testimony and exhibits had been marked, the court asked for views on the propriety of taking judicial notice of broad industry information, noting in particular the figures discussed in the *Brown Shoe* case, and some examples of tables published in the 1972 Statistical Abstract of the United States (see Tr. pages 12.18 to 12.32, Nov. 3, 1983). Natural felt that the *Brown Shoe* figures were both too old and discussed in the antitrust context of that case. So far as the Statistical Abstract data were concerned, Natural felt that the analytical basis was not relevant to this case and also could not comment on their accuracy. Roots, Inc. took the view that both references were proper sources of judicial notice under Fed.Ev.Rule 201 for providing some general context within which the specific figures of the opposing parties might be viewed.

This latter application was the only use the court indicated that this kind of general data might be helpful, making clear that it had no idea at that point whether the data would be helpful, or to what extent.

These data have been studied by the court after deliberations, and in view of the lack of any information otherwise in the record, the court is persuaded that reference to them is proper for the very limited purpose of providing a perspective of the orders of magnitude involved in the activities of both sides. Some broad perspectives of this kind are clearly needed for several reasons. One is that both the expert witnesses who testified for Natural testified in terms of national markets, which implicates some understanding of what those markets are. The other is that the market structures indicate two branches of the apparel trade as well as an infinite variety of combinations of them.

Brown Shoe, for example, illustrates the rather dramatic changes in market channel structure for shoes in the immediate post-World War II era.

It notes that the largest U.S. producer, International Shoe, had no retail outlets in 1945 but by 1956 had acquired

130. General Shoe, then the 4th largest, had only 80 retail outlets in 1945 but grew to 526 by 1956. Brown Shoe, the third largest (if combined with Kinney) had no retail outlets before 1951, but by 1956 had acquired 845 (not including the 400 or so Kinney stores). See 370 U.S. 294, at pp. 300-303.

Footnote 1 of *Brown Shoe*, 370 U.S. at p. 297, briefly describes the "Wohl Plan" under which independently owned shoe stores agreed to concentrate on lines sold by Brown through Wohl, in exchange for credit and merchandising aid, in contrast to the Brown "Franchising Program", under which independently owned stores agreed not to carry competing lines of shoes in return for "certain aid" from Brown.

This kind of historical and descriptive data is useful in understanding the Natural retail channel structure before the first sale of shoes through Saks, because the record is scanty (no examples of retail store agreements are in the record) and because from what evidence there is, both the "company stores" and the "franchise stores" were expected to carry only goods supplied by Natural (through Century), and the only difference between them was that the opportunity for profit and the risk of loss flowed to Don and Michael for "company stores" and to the independent owner for "franchise" stores. It is also clear from Michael Budman's review of the several versions of Exh. P-91, that "franchise" stores that sold goods from other sources than Natural were obliged to change their names to disassociate from Natural and Roots in the store name.

The data from the Statistical Abstract discloses more background because pertinent tables provide data for apparel as a whole, and also subdivided as men's and women's clothing (excluding shoes) and shoes as such. These data are informative because Natural's sales in the U.S. have been of shoes and not clothing, for all practical purposes, while Roots' sales are primarily for clothing and related goods, with shoes being a clearly smaller segment though not an insignificant one. The Statistical Abstract provides broad outlines for this kind of general perspective, with full recognition of the risks of placing too much confidence in tabular statistics. The fact remains that such data are widely recognized and relied upon for many much more important problem-solving decisions, that they are generally accepted sources of substantially undisputed accuracy (to the extent that such data can have some kind of accuracy), and are accordingly available for consideration in lieu of formal proofs. The difference is the usual one between admissibility and weight and the traditional caution is to use the data gingerly and for narrow purposes.

At the time of colloquy on the subject before summations, the court had for discussion some of the tables from the 1972 Statistical Abstract. Since then it has located more current data from the 1981 Statistical Abstract, and both are looked to for this broad perspective. Some population figures (to be discussed) were later found in the 1982 World Almanac, citing census figures, and are looked to for the same narrow purposes.

The U.S. population in 1950, when Perry Root came to his father's store, was not quite 151. million. By 1970, five years after H S & M bought Roots and four years before Natural's first full year of production, it was slightly more than 203. million (a rise of 35% calculated on the specific figures). By 1980, it was 226.5 million (a 50% increase over 1950, and an 11.4% increase over 1970) see U.S. Population by Official Census, 1790 to 1980, 1982 World Almanac, pp. 198-199.

Except for the District of Columbia, New Jersey was the most densely populated State in 1970 (953. per sq. mile) and 1980 (979. per sq. mile), and in 1960 had been second (805.5 per sq. mile) only to Rhode Island (819.3 per sq. mile). Aggregate population of New Jersey went from 4.8 million in 1950 to 7.2 million in 1970 and 7.3 plus million in 1980. *Idem.*

Total Canadian population is not reported for the same years, but the levels and trends from the available data are instructive. It was 20. million in 1966, 23. million in 1976, and

24 million by way of estimate as of January, 1980. *Idem*, p. 507. It seems to run, over the pertinent period, at a level somewhat above 10%-11%, or so of the U.S. population, and it would be reasonable to expect that population size would be a major factor influencing market volume for wearing apparel, including shoes, along with other factors.

There are other census tables that are informative. Table 1205 (1972 Abstract, p. 722) shows that annual production of shoes and slippers has been remarkably stable, being 552. million pair in 1950 and nearly 559. million in 1971. Retail sales (dollars) of all footwear are given as $4.2 billion in 1963 and $5.3 billion in 1967 (1972 Abstract, Table 1239), $7.7 billion in 1972 and $10.6 billion in 1977 (1981 Abstract, Table 1473. p. 815).

No doubt the retail sales figures, in dollars, not only reflect shoes produced outside the U.S., but also price changes due to rising costs and inflation. Since the retail sales tables do not reflect unit volume (number of pairs) as do the production tables, no reliable conclusions can be grounded on either set of tables or both combined, other than to have a general indication of the size of the two enterprises in relation to the entire U.S. market.

Like observations apply to census data about apparel other than shoes. For 1963, men's and boys' clothing (excluding footwear) was $7.3 billion and for 1967 $9.5 billion; while women's and girls' clothing (except footwear) was $14.4 billion in 1963 and $18.8 billion in 1967 (1972 Abstract, Table 1239, p. 742). For 1972, the figures for men and boys is $15. billion and for 1977 it is $22.7 billion. Women's and girls' data are $26. billion in 1972 and $36.5 billion in 1977 (1982 Abstract, Table 1473, p. 815). Useful production figures do not appear since what is there is subdivided along different lines, and sometimes gathered on a selected basis, but without easily available totals.

Thus, while the data have some value, their proper use is quite narrow and in this sense Natural's objections are fully taken into account.

Analysis of the pleadings.

THE COMPLAINT asserts two grounds of jurisdiction: federal question (28 USC §1338 is cited, presumably for Lanham Act claims, but 28 USC §1331 is also implicated) and diversity of citizenship (28 USC §1132 [sic], meaning §1332).

Venue is laid in this district under 28 USC §1391(b) and (c), with Roots, Inc. "residing" in this District and H S & M doing business here and so "residing" here. [NOTE: The allegation that "all the acts complained of" were committed in this District would be more accurately read to say that they were committed "from" this District, as the evidence shows interstate activity.]

"Facts common to all counts" are alleged to be:

> . . . par. 6. Natural has the exclusive license to market products in the U.S. under the name "ROOTS" under the two trademark registrations attached as Exh. A and B, by acquisition from Don Green and Michael Budman, once doing business as "Don-Michael". [NOTE: The court does not find any evidence in the record of a license from Don-Michael to Natural, other than oral testimony, and assumes there was such a license but without details of date and terms].
>
> . . . par. 7. Natural has applied "ROOTS" to goods sold throughout the U.S. such as shoes, scarfs, pens, carrier bags, packaging bags, shoe polish, saddle soap, mink oil and men's clothing. [NOTE: The evidence also indicates some T-shirts, wallets, belts, sheepskin lined vests and the like. It also indicates the first significant sale of "men's clothing" to be the tryout line sold to Saks for the Fall of 1979].

. . . par. 8. Natural sold its 'ROOTS" products in a list of States through licensees and distributors, with a business volume of more than $1. million for each of the five years 1975 through 1979 [NOTE: the evidence shows such volume over those years but only for shoes, with the other items far below].

. . . par. 9. ROOTS, INC. is owned by H S & M.

. . . par. 10. ROOTS, INC. is a modest retail store chain located in and doing business "solely in" New Jersey and on June 2, 1977 lodged a cancellation proceeding (petition attached as Exh. C) to cancel the Don-Michael trademark registrations.

. . . par. 11. After acquiring ROOTS, INC., H S & M asserted ownership to the mark "ROOTS" for all goods H S & M made and sold from the time when ROOTS, INC. was first established [NOTE: The record contains no evidence to support this independently of the parent/subsidiary relation].

. . . par. 12. ROOTS, INC. and/or H S & M intended to sue one or more of Natural's "affiliates" in the United States, consciously to interfere with Natural's right to distribute its products in the U.S. [NOTE: What was said to be a draft complaint for filing in New York was shown to Perry Root but he had never seen it and it was never authenticated or received in evidence. The ROOTS answer does say that it was prepared to bring such a suit and so informed Natural, if agreement to resolve the controversy could not be reached, that it refrained from filing during settlement discussions, but that while awaiting Natural's response, the present suit was filed. The only specific evidence on this aspect was Mr. Budman's testimony about the Toronto meeting where Mr. Dominik recommended that suit be filed here and Mr. Hughes concurred, mentioned in the history above].

. . . par. 13. Alleges the existence of a case or controversy for the court to resolve.

There then follow three separate counts:

COUNT I After repeating the earlier paragraphs, says that the court is authorized by 15 USC §1119 to decide whether the Don-Michael registrations for "ROOTS" should be cancelled, and asks that the rights be determined. Judgment sought on this count is a permanent injunction from pursuing the trademark cancellation proceeding and requiring withdrawal of the petition for cancellation (Exh. C).

COUNT II After repeating the preceding allegations, says that ROOTS, INC. is violating 15 USC §1125(a) by sales in and to territory where Natural has established its rights, in that Natural's goods are recognized as high quality Canadian goods and in that purchasers of ROOTS, INC. goods are misdirected as to "source of origin" [sic]. The demand is for a permanent injunction against use of the mark "ROOTS", or any variants, in connection with "the sale of merchandise through retail stores located anywhere except in the State of New Jersey."

COUNT III After repeating the preceding allegations, it asserts that ROOTS, INC. is infringing Natural's exclusive license rights in marketing merchandise marked "ROOTS" or other term confusingly similar thereto. The demand is for a permanent injunction, plus damages. [NOTE: This count was described in summation as the "common law trademark infringement count", see 11/3/83 Tr., p. 12.100 lines 18-19].

Both H S & M and Roots are named defendants. Although Counts II and III allege conduct only by Roots on the §1125(a) claim and the common law claim (except for the general embodiment of all earlier allegations), judgment is asked against both.

THE ANSWER is by both H S & M and Roots, and denies the major elements of Natural's claimed rights. It also sets up the affirmative defense of laches.

THE COUNTERCLAIM is by Roots, alone. It is in two counts.

COUNT I asserts an unfair competition claim, with jurisdiction under 28 USC §1338 and diversity under §1332(a). It alleges senior use by Roots for its goods, services and business in the sale of men's and women's wearing apparel, including footwear, in many parts of the United States and in foreign countries, with extensive advertising and promotion in the "New Yorker" and "Wall Street Journal", by nationally circulated catalogs and by mail order sales throughout the Unites States.

It charges Green and Budman with registering the name and design, "Roots" in the U.S. Patent and Trademark office and alleges the filing of Roots' cancellation petition.

It charges Natural, Green and Budman with using "Roots" for shoes, and with beginning to sell a line of men's wearing apparel under the mark "Roots" through Saks retail stores in New York and other States, with full knowledge of Roots' prior use, without Roots' consent or permission and notwithstanding the pending cancellation proceeding.

It alleges that Natural's use of "Roots" is likely to cause confusion, mistake or deception on the part of purchasers.

It charges that Natural's conduct is a false representation and designation of origin in violation of §43(a) of the Lanham Act, 15 USC §1125(a).

It charges that Natural's conduct is unfair competition under the common law and in violation of Roots' prior rights in the tradename in violation of §44(g) and (i) of the Lanham Act, 15 USC §1126.

It charges irreparable injury unless Natural is enjoined, and the lack of adequate remedy at law.

COUNT II Repeats the earlier allegations and charges that Natural's conduct constitutes trademark infringement under the common law (paralleling Count III of the Complaint) and under N.J. trademark statutes N.J.S.A. 56:3-13.1, et seq. (a

1966 revision amended in 1971), and of other States [NOTE: The record does not indicate registration by any party in this case under any State trademark statute, so only the common law aspect is in the case].

The demands for judgment, which follow both counts of the counterclaim, are as follows:

1. Preliminary and permanent injunction from using ROOTS, or any colorable imitation, in connection with the offering for sale of wearing apparel, including footwear, and related goods.

2. Damages (jointly and severally) sustained by Roots as a result of unfair competition and trademark infringement.

3. Accounting for profits in the U.S. by reason of the unfair competition and trademark infringement complained of.

4. Costs, and reasonable attorneys fees.

5. Delivery up to Roots for destruction of all infringing labels, packages, wrappings, advertising and the like, and the plates, molds, matrices and other means for making them.

6. Order to the Commissioner of Patents and Trademarks to cancel Natural's registrations, pursuant to 15 USC §1119.

THE REPLY TO THE COUNTERCLAIM asserts that Roots abandoned any trademark significance to the mark "Roots" in favor of a stylized mark consisting of a "mirror image 'R' " [Perry Root described it as a "double R"; the court called it a "butterfly R"].

It denies that any sales by Roots amount to sales in "interstate commerce," particularly those marked with "Roots".

It admits only that Roots, with its "new" mirror image R operates a limited number of retail stores in New Jersey with merchandise selections intended for a limited market of wealthy, up-scaled demographic clientele, whose purchases are miniscule for achieving trademark use and even in New Jersey, within a limited part of the State.

It admits limited ads featuring the stylized mirror image R in local advertising media, and otherwise denies the advertising and promotion allegations.

It "admits" that Natural has extensively used "Roots" for wearing apparel throughout the U.S., and was unaware of any activity of Roots until May, 1977.

It "admits" that Natural's line of wearing apparel was extended progressively and was then (November, 1979) featured in exclusive stores throughout the U.S. including Saks, and the Roots (Natural) stores.

At a magistrate's hearing of January 11, 1982, the damage claims were abandoned (but not the accounting claims) and on February 11, 1982 a consent order was filed abandoning the damage claims and setting a non-jury trial. See, also, the colloquy of May 3, 1982 at Tr. page 2, line 9 to page 4, line 12.

At the same hearing trial on the merits was advanced and consolidated with the preliminary injunction hearing (Tr. page 4, line 13 to page 7, line 4), and a formal order to that effect was filed May 6, 1982.

Examined in the light of the final evidential record, the issues raised by the formal pleadings are more easily summarized.

Don Green testified, after having read to him Natural's prayer for an injunction to restrain Roots from using the mark "Roots" in connection with the sale of merchandise "through retail stores located anywhere except in the State of New Jersey", that he felt Natural had put 6 years of hard work into creating a very heavy impact in many American States, that people's awareness of the Roots concept was very strong; "we are willing to — in New Jersey we look at it as a different situation. Across America we feel we own the trademark Roots." (11/2/79 Tr., p. 122, line 25 to p. 124, line 20).

Toward the end of the day's testimony on October 25, 1983, Michael Budman testified about the 1975 conference at which it was decided to sue first and in New Jersey. He was asked if the purpose was to prevent Roots from shipping goods under the "Roots" mark to customers around the United States, and said they sued because they did not want Roots to open stores outside New Jersey, but did not remember anything about shipping to customers outside New Jersey.

He said he had seen Natural's complaint, and that what he wanted was not to allow Roots to open stores outside New Jersey.

He was shown paragraph 19, from Count III of the Complaint and the demand for judgment, and said it was to stop Roots from using the name outside New Jersey. He was not sure if he wanted also to prevent the mailing of catalogs to out-of-N.J. customers, with the name Roots. He did not object to the use of the catalog interstate where a New Jersey customer moved to another State. He did not know how a customer would know of a Roots product if the customer never lived in New Jersey.

From these two segments, in the context of the evidence taken as a whole, it is plain that Natural does not seriously advance a claim that it may prevent Roots from doing what it had done before Natural was born, namely to use the word "Roots" as a corporate name, a business name (or service mark) and as a trademark for the goods sold by it and so marked, at retail stores in New Jersey to New Jersey customers, and interstate to customers ordering by mail or phone or interstate to out-of-state customers coming to a New Jersey store to buy either because they formerly lived in New Jersey or because of interstate advertising, including the mailed catalogs and brochures. The activity Natural wished to prevent was the opening of any Roots store outside New Jersey.

This considerably narrows the issues, since Roots is shown by undenied and highly credible evidence to have been making interstate sales of both clothing and shoes, and of "accessories", for a good number of years, in increasing amounts and by various modes, before Natural was born.

The issue is not whether Roots is free to do business interstate under the name and mark, but only whether it may do so through new retail stores located outside of New Jersey (but leaving unanswered whether the restriction sought is limited to Roots' own stores, or whether it includes sales through out-of-N.J. stores of others, such as Filene's in Boston, a pre-existing activity).

It is not clear whether Natural claims the right to sell shoes, or other wearing apparel, or both (along with accessories) under the mark "Roots" within New Jersey.

There also appears to be no real dispute that the marks are distinctive or unique, not merely a surname, and are identical and the risk of confusion, deception or mistake high. See testimony of Don Green, 11/2/79, page 119, line 2 to page 127, line 18.

Non-Final rulings.

There have been two major rulings in the case so far, neither of which is final.

The first ruling, dated December 4, 1979, concluded that Roots was entitled to a preliminary injunction on the counterclaim. An injunctive order was then entered applicable to all the goods in dispute except shoes, in the United States. Shoes were not dealt with at all, as the ruling makes explicit, because the Don-Michael registrations in the U.S. were limited to footwear, and were the subject of a petition for cancellation filed in early June, 1977 and was pending before the Trademark Trial and Appeals Board.

The preliminary injunction was appealed, and a motion panel granted a motion by Natural to limit the scope of the injunction pending appeal by confining it to New Jersey and New York.

After submission on the appeal itself, the merits panel affirmed the order for preliminary injunction by judgment order in lieu of mandate issued April 14, 1980 and vacated the territorial restriction imposed by the motion panel pending appeal. The affirmance is noted at 620 F.2d 289 (CA-3, 1980), but no opinion was published.

> [NOTE: As recorded in the record history above, Natural removed the only clothing shipment of substance, which had been to Saks and one Michigan store, to Toronto, and made no attempt pending appeal to sell such clothing under the "Roots" label anywhere outside New Jersey and New York, or under some different label anywhere except for small sales in Michigan under the Don-Michael label].

The second ruling was dated August 18, 1983 and dealt with Count I of the Natural complaint (seeking declaratory rulings in respect to the two Don-Michael U.S. trademark registrations and an injunction to forbid Roots from further prosecuting its 1977 petition for their cancellation), and with demand 6 on Roots' counterclaim (seeking a determination that the two Don-Michael trademark registrations were invalid and ordering the Commissioner to cancel them under 15 USC §1119). Cross-motions for partial summary judgment on the conflicting sides of the same issue were the means to bring this aspect before the court.

The court tended to demur from this approach, having pressed for completion of trial since the early part of 1982, when it formally ordered trial on the merits advanced and consolidated with the preliminary injunction hearing (which was much more extensive than most are) under F.R.Civ.P. 65(a)(2).

It was also concerned that the effort might well be wasted, and eventual trial further delayed, because the rule of decision on summary judgment motions in this Circuit is quite strict. See, *Meyer* v. *Riegel Products*, F.2d (CA-3, 1983) (No. 82-5770, Slip of November 2, 1983).

However, both sides insisted that the issue was suitable for determination on cross-motions, that pendency of the cancellation petition before the PTO was no obstacle in view of 15 USC §1119, that in fact nothing was going forward in that proceeding until this litigation was over, and that a partial summary judgment on the registration dispute, one way or the other, would advance trial preparation and completion.

The thorough briefs, and the argument, focused on the question whether Roots needed to establish "secondary meaning" to succeed on its claim that the registrations were barred by its senior use under 15 USC §1052(d).

Natural's argument was that §1052(d) did not bar registration unless Roots could establish "secondary meaning" for *footwear* throughout the United States, *before* Natural's Canadian filing date under treaty. Natural claimed that such a showing was essential, under *Scott Paper Co.* v. *Scott's Liquid Gold, Inc.*, 589 F.2d 1225 (CA-3, 1978), and *N. Hess & Sons, Inc.* v. *Hess Apparel, Inc.*, 216 USPQ 721 (D-Md., 1982), among others, on the theory that "Roots" was the surname of the store's founder, and also of his son who now conducts the business for HS & M since the latter's 1965 acquisition.

Roots took the position that under 15 USC §1052(d) there was no need to establish "secondary meaning"; it is sufficient, to bar registration, if "Roots" consists of a mark which so resembles a "mark" or a "trade name" previously used in the United States by another, and not abandoned, as to be likely, when applied to the goods of the applicant, to cause confusion, or to cause mistake, or to deceive.

As the ruling of August 18, 1983 discloses, the court concluded that Roots' position was correct and that its use of the word as part of its corporate name, as a merchant to identify its business in engaging in trade or commerce (even though originating as a surname) was sufficient by itself to bar Natural's registrations under 15 USC §1052(d), without regard to secondary meaning.

The order denied Natural's motion and granted Roots' motion on that issue, but since the order was not final and was subject to revision, see F.R.Civ.P. 54(d), and *Curtiss-Wright* v. *General Electric,* 446 U.S. 1 (1980), the Commissioner was expressly not ordered to correct the Register by cancelling Natural's registrations at that time.

Had the law been seen as Natural argued, it would have been necessary to deny both motions for partial summary judgment because the trial record to that point contained extensive evidence of "secondary meaning" but no summary judgment could have been grounded on it since the evidential record was not closed.

Now that it is closed, and in light of the finding (discussed hereafter) that "ROOTS" had acquired "secondary meaning" throughout the United States, and in light of the clarification of this court's (mis)understanding of the *Scott Paper* case by the decision in *Interpace Corp.* v. *Lapp, Inc.,* F.2d (CA-3, 1983) (No. 83-5036, slip filed Nov. 18, 1983), the outcome on the completed record is the same even on Natural's theory on the point.

The differences on the law are thus mooted out, and the final judgment will include a provision ordering the Commissioner to cancel the registrations.

The Applicable Law

At the outset, it is noted that the claims and counterclaims grounded on state law of unfair competition, tradenames and trademarks are here on two jurisdictional grounds. One is diversity jurisdiction, 28 USC §1332, and the other is pendency to a federal claim, 28 USC §1338(b). Jurisdiction under 15 USC §1121 is without regard to amount in controversy or diversity.

Although the court ruled in August, 1983 that Natural's U.S. trademark registrations were barred by Roots' senior use under the Lanham Act, and that Roots was entitled to have them cancelled, that ruling was not then final and was subject to revision. The jurisdiction to deal with the conflicting claims centered on the registrations is original federal jurisdiction because the actions arise under an Act of Congress relating to trademarks, 28 USC §1338(a), although that jurisdiction is not exclusive. See *O'Brien* v. *Westinghouse,* 293 F.2d 1 (CA-3, 1961).

The claims and counterclaims under state law are unfair competition claims pendent to the substantial and related claims under the federal trademark laws, 28 USC §1338(b), and are also within the diversity jurisdiction, 28 USC §1332.

So far as the diversity jurisdiction is concerned, *Erie R. Co.* v. *Tompkins,* 304 U.S. 64 (1938) controls on substantive law; the law of the forum state (New Jersey) is to be applied, and see 28 USC §1652. Procedural matters, at least for aspects dealt with by federal procedural rules (or statutes) are governed by federal law under *Hanna* v. *Plumer*, 380 U.S. 460 (1965).

Thus, state law controls the substantive aspects of the common law or unfair competition (usually state equity law), whether it be here under §1338(b), *Flexitized, Inc.* v. *Nat'l Flexitized Corp.*, 335 F.2d 774 (CA-2,1964) (cert. den.), or because of diversity of citizenship, *Pecheur* v. *Nat'l Candy Co.*, 315 U.S. 666 (1942); from this circuit.

The first step in the process is to determine the forum state's "choice of law" rules. Again, this is the same whether the claim be pendent to a federal claim, *Systems Operations, Inc.* v. *Scientific Games, etc.*, 555 F.2d 1131 (CA-3, 1977) or based on diversity of citizenship, *Klaxon Corp.* v. *Stentor Electric, etc.*, 313 U.S. 487 (1941).

At the outset of the last 12 days of trial, the court advanced the proposition that since the federal trademark statutes are an exercise of the Commerce Power rather than of the patent or copyright power, as was held in *The Trademark Cases*, 100 U.S. 82 (1879), 10/19/83 Tr. page 1.24, line 18 to page 1.29, line 25, state law must be consulted.

Considerable guidance is found in *Systems Operations*, supra, which was a product disparagement case which the Court of Appeals conceived would be treated in New Jersey much like a defamation claim, and, where multiple jurisdictions were involved, likely to treat the conduct complained of as a form of aggregate publication calling for application of the substantive law of the state where the person defamed is based or domiciled, and see, on this point, *Prager* v. *American Broadcasting Co., Inc.*, 569 F. Supp. 1229, at 1232-1233 (D-N.J., 1983), which also directs attention to N.J. Ev. Rule 9 (3), last sentence, directing that in the absence of proof of the tenor of the law of another jurisdiction, the law of New Jersey is to be applied.

The evidence rule is not a rule of procedure. Both the New Jersey Legislature in enacting The Evidence Act, 1960, N.J.P.L. 1960, c. 52, N.J.S.A. 2A:84A-1, et seq., and the Congress in enacting the Federal Rules of Evidence, Pub. L. 93-595, 88 Stat. 1926, took the position that evidence rules were substantive law not within the authority of the respective Supreme Courts to promulgate rules of practice and procedure. See the brief history and analysis in *Wearly* v. *F.T.C.*, 462 F. Supp. 589, at pp. 595-596 (D-N.J. 1978).

In fact, the last sentence of N.J. Ev. Rule 9(3) largely derives from N.J.S.A. 2A:82-27, which was enacted as N.J.R.S. 2:98-28 (1941) and was the first section of the Uniform Act on Judicial Notice of Foreign Law.

The prospect of attempting to apply the unfair competition law of all the various jurisdictions in which there are customers who have bought from Natural or Roots is the same as that discussed in *Systems Operations*, and the analysis of the Court of Appeals there on the question of what law New Jersey would apply is sound and applicable here.

No party attempted even to claim that the law of a jurisdiction other than New Jersey should be applied to the state law claim, much less to provide any basis for taking judicial notice of the law of sister states. The main New Jersey decisions on this subject are found in Comment 14 to N.J. Ev. Rule 9(3) in the *New Jersey Rules of Evidence*, 1983 Edition (Gann Law Books), pp. 87-88.

Finally, the court observes that the only federal trademark law involved is that connected with §43(a) of the Lanham Act, 15 USC §1125(a), the so-called federal unfair competition law. Neither side made any claim of direct infringement of a registered mark under §32 of the Lanham Act, 15 USC §1114. Natural cannot because the two registrations it relies on are barred, and will now be ordered cancelled, and Roots cannot because it never did secure issuance of a federal registration. The distinction between the two provisions is discussed in *Inwood Laboratories* v. *Ives Laboratories*, 456 U.S. 844 (1982).

As noted in *The Trademark Cases*, supra,

> "The right to adopt and use a symbol or a device to distinguish the goods or property made or sold by the person whose mark it is, to the exclusion of the use of that symbol by other persons, has long been recognized by the common law and the chancery courts of England and of this country, and by the statutes of some of the States. It is a property right, for which damages may be recovered in an action at law, and the violation of which will be enjoined by a court of equity, with compensation for past infringement. This property and the exclusive right to its use were not created by the Act of Congress and do not now depend upon that Act for their enforcement. The whole system of trade-mark property and the civil remedies for its protection existed

> long anterior to the Act of Congress, and remain in full force since its passage." 100 U.S. at 92.

This concept underlies the position uniformly taken by all federal courts that have considered the question, that §43(a) of the Lanham Act, 15 USC §1125(a) provides protection against infringement and unfair competition, by transporting goods in interstate commerce, of common law trademarks and names, and that the senior user need not have a federal registration to have the remedies provided by this section. A recent decision discussing the point is *Warner Bros., Inc.* v. *Gay Togs, Inc.*, 658 F. 2d 76, at 77-78 (CA-2, 1981). In this circuit there is found *International Election Systems Corp.* v. *Shoup*, 452 F. Supp. 684 (D-Pa., 1978), aff'd 595 F.2d 1212 (CA-3, 1979). *Matador Motor Inns, Inc.* v. *Matador Motel, Inc.* 376 F. Supp. 385 (D-N.J., 1974) is to the same effect. The decisions elsewhere are collected in the annotations to the section.

It has been observed before, by a leading scholar on "Conflict of Laws" that:

> "We may postpone again, as we have before, the issue whether we may build up our controlling law from federal precedent or must look to state law and if so where. The parties are properly in federal court either by diversity of citizenship or by the provisions of the Lanham Act. *We have not been referred to nor have we found a split of authority between federal and state rules to compel us to make the choice just mentioned.*" (emphasis added; footnotes omitted) Opinion of Goodrich, J., in *Q-Tips* v. *Johnson & Johnson*, 206 F.2d 144 (CA-3,1953), cert. den.

Q-Tips was a conflict of names or marks: Q-Tips and Cotton Tips. In *SK & F Co.* v. *Premo*, 625 F.2d 1055 (CA-3,1980), there was a copying of trade dress of a pharmaceutical product (a red-white capsule). There Judge Gibbons separately analyzed the New Jersey and the federal law of unfair competition, 625 F.2d at 1062-1066, and found that:

> "The federal law of unfair competition is not significantly different, as it bears on this case, from that of New Jersey." 625 F.2d at p. 1065.

The court pointed out that while a competitor may freely copy an unpatented product, this federal law principle does not extend to affect the law protecting businesses in the use of trademarks, labels, and so on so as to prevent others from misleading purchasers as to the source of the goods by imitating the markings; referring to *Sears, Roebuck & Co.* v. *Stiffel Co.*, 376 U.S. 225 (1964) and especially at p. 232.

Thus, for present purposes, the law of New Jersey and the federal law are substantially the same, and the court may look to New Jersey statutes and decisions as well as federal, with primary attention to decisions of the Supreme Court of the United States and of the U.S. Court of Appeals for the Third Circuit.

The applicable law for a "name" or "mark" case, where the subject involves competing goods or services, has most recently been articulated in *Interpace Corp.* v. *Lapp, Inc.*, ____ F.2d ____ (CA-3,1983) (No. 83-5036, Slip opinion filed November 18, 1983).

In that case, as in *Scott Paper*, both sides were using the same name that had originated as a surname, and the junior user relied on *Scott Paper*. The trial court read *Scott Paper* as precluding relief to which the senior user would otherwise be entitled, but the Court of Appeals reversed.

The question had been whether the senior user, Lapp-Interpace, had been able to establish "secondary meaning" in the junior user's market. The trial court concluded that since Lapp-Interpace had never marketed wire or cable [the junior user's products] of any kind under the name "Lapp", there could not be any evidence of secondary meaning in the market for wire and cable.

In reversing, the Court of Appeals noted that in practice, likelihood of confusion and secondary meaning merge and that the evidence sufficient to show either, and the legal consequences flowing from a finding of either, are virtually indistinguishable, even though they are separate concepts in legal theory.

It was also observed that the approach to the likelihood of confusion issue is different in cases involving non-competing goods, as in *Scott Paper* (paper goods and furniture polish) than when there are competing goods or services. For non-competing goods, ten factors are to be considered. Where the case involves competing goods or services,

> " . . . the court need rarely look beyond the mark itself." (Slip, par. 4).

The inquiry is aimed precisely at the conduct which §43(a) is designed to prevent, namely the use in commerce of a false designation of origin or of any false representation, including words or other symbols, tending falsely to describe or represent the same. The inquiry focuses, as does the bar of §1052(d) on the likelihood to cause confusion, or mistake, or to deceive. As the court said in *Interpace,*

> "Secondary meaning exists when consumers seeing a trademark assume that the product it labels comes from a particular source. If in fact the product did not come from that source, then there has been buyer confusion." Slip, par. 5.

Interpace resolves another point of law which was the subject of sharp and vigorous controversy throughout the litigation. Natural's position, as to shoes, was that since Roots derived from the surname of the founder, Adolph Root and his son Perry Root, it was essential that Roots prove not only that "Roots" had acquired secondary meaning but also that it had acquired it for shoes, and for the entire United States, *before* Natural made its first shipment of shoes with the label "Roots" to California in December, 1973.

On this point, the *Interpace* court said:

> "Lapp, Inc. vigorously contends on appeal that 'Lapp', as a surname, is not entitled to trademark protection. Such was the law at one time, but as the district court noted, surnames have long been accorded full protection if they have become distinctive. 15 USC §1052 (f) (1976). *Scott Paper Co.* v. *Scotts Liquid Gold, Inc.*, 589 F.2d 1125, 1128 (3d Cir. 1978)" Slip, page 6, footnote 1.

[NOTE: For the history of the "Delsartian" shoe, mentioned at trial, see *Medlar, etc.* v. *Delsarte, etc.*, 68 NJ Eq 706(E&A 1905)]

Finally, *Interpace* observes that where the names are identical (for competing goods and services) the names themselves are evidence of likelihood of confusion, citing *American Plan Corp.* v. *State Loan & Finance Corp.*, 365 F.2d 635, 639 (CA-3,1966), cert. den. 385 U.S. 1011 (1967). Slip, par. 8.

Facts Not in Dispute

While there is a massive record, both of testimony, documentary and physical exhibits, there is no substantial dispute about quite a few of the pertinent facts, and these are found in the list below since no extensive discussion of them is needed.

1. Roots began in about 1917, operated by Adolph Root, as a store for the retail sale of apparel and other goods, and has been in continuous operation ever since in a number of locations (with one branch being sold off along the way).

2. Perry Root joined his father's business in 1950 and was allowed to try his hand at building up the business. His object was to enlarge and enhance the custom and the Root name, and he went at this in a number of ways, including display methods, selection of merchandise, pressing for private Roots labelling, sometimes as the only label and other

times along with the maker's label but in those cases with the Root name more prominent. He went out after mail order business and used regular ads for a number of years in The New Yorker magazine, which he regarded as the most suitable vehicle for reaching the type of patron he was seeking and whom he wished to serve by the merchandise he selected. Seasonal brochures or limited catalogs were also used, as well as "stuffers", these being mailed mainly to those who had patronized Roots or requested the mailing, although the press advertising of greatest frequency was in local papers. Ads also ran in regional editions of the Wall Street Journal and the Christian Science Monitor, as well as the Sunday, New Jersey edition of the New York Times (while formal testimony was not adduced, it is sufficiently known in this area that the New Jersey edition was begun about the same time the Newark Evening News went out of busines in 1972 to warrant taking judicial notice of the approximate time, which is not critical).

3. He also introduced a Roots credit card (there had been customers with charge accounts before, but not on a credit card basis), and gradually compiled a list of names and addresses that could be used for mailings. The names of Roots charge customers were kept on a "Rolodex", a trademarked rotary device to simplify the handling of large numbers of small cards with information on them. The Rolodex was begun in 1965 and kept up to late 1973. Later on, general credit cards were also accepted.

4. In 1965, Roots was bought by H S & M. The purchase contract shows that it was a purchase of assets (accounts receivable, inventory, furniture and fixtures) as a going business, including the exclusive use of the name Roots. Roots, Inc. is the H S & M wholly owned subsidiary that acquired these assets (for a price above book value of assets) and has carried on business under the direction of Perry Root ever since, along the same lines he planned from the start.

5. The testimony, the ads, catalogs and like exhibits show that Roots carries and sells a full line of men's and women's wearing apparel (including shoes) and what might

be called "haberdashery" or "accessories." It has achieved an exceptionally high reputation as a merchant of goods of excellent quality, style and taste.

6. Some 80% of the merchandise sold by Roots carries the Roots label, mostly a woven label sewn on, and some 50% of all merchandise carries only the Roots label with no mention of the manufacturer.

7. From at least May of 1959, more than fourteen years before Natural first shipped shoes to California, Roots was offering its goods nationally by mail, as shown by the examples of The New Yorker ads, Exh. CC-38. Every ad solicits mail orders for such apparel as English cardigans, washable Bermuda shorts, terry beach tops, swim trunks, paisley wool vests, Loden coats, British worsted sweaters, formal shirts, slacks, India madras swim trunks, India madras shirts, business shirts, all-weather poplin coats, camelhair sweaters, shetland sweaters, sheepskin coats, woolen skirts and sweaters, English duffle coats, wool country trousers and sweater-shirts, and Harris Tweed sportcoats. Every one of these ads expressly solicits mail orders, and some offer a catalog on request.

8. The Rolodex cards with addresses of out-of-state active charge customers are reproduced as Exh CC-25 (with the names deleted) as at the start in 1965, updated to late 1973 when its use was discontinued and the contents were transferred to a computer system. The out-of-state list shows 43 states.

9. Other data shows continued out-of-state business thereafter, and no "abandonment" of out-of-state business. These data, culled from old records such as sales slips, catalog orders, packing slips, and the like for various years up to 1980 show varying numbers of states plus D.C., up to 49.

10. Some interstate sales are the result of mail or phone orders on an ad or from a catalog or brochure or otherwise. Some are of apparel bought at one of the stores in New Jersey and shipped by Roots out-of-state on the buyer's instruc-

tions. Others are sales in New Jersey to out-of-state customers coming in to buy. Mr. Root recalled one he had served personally not long ago. All three kinds are treated as interstate transactions.

11 Exact data to completely tabulate interstate sales by dollars, number of items sold, number of transactions, number of customers, and so on, simply do not exist. The records are not kept in that form. Natural's expert witness, Mr. Boiko (an accountant), attempted an analysis but the underlying data he was given was incomplete. For example, 1976 was the only calendar year for which he had out-of-state sales slips for all Roots credit card customers for all months. For sales on other credit cards (American Express, Bank Americard, Mastercharge) and cash sales, he had sales slips only for November and December and only for the Red Bank store. The information on the documents he had was listed by entry into a computer and a tabulation made, see Exh. P-140. As shown by Exhibit D thereto, he had only 951 sales slips for 1976, but for 1977, for which he did not have all months and no slips for non-Roots credit cards or cash, he had 2,740 sales slips. In any event, with his limited data he calculated or estimated that out-of-state sales ranged from 1.575% (for December, 1973) to 2.823% (for 1977 calendar). Mr. Root estimated the out-of-state sales to run about 5% of total based on his familiarity and observations over the years. Either way, the fact is that the number of out-of-state customers is modest and that the interstate sales are a fraction of the total business, as found in the preliminary injunction decision dated December 4, 1979. The inspection of many thousands of records, their analysis and tabulation, has not altered these basic facts.

12. The name or mark "Roots" as employed in the context of this case is distinctive or unique, and not primarily a surname. So far as any witness in the case knows, no one but Natural and Roots has used it in the United States for apparel. Irwin Green so testified in the deposition segment marked in evidence. Don Green so testified at the preliminary

injunction hearing, though he said there was a clothing manufacturer in Canada called Roots (Tr. 11/2/79, p. 119, lines 11-12), and also that it is not merely a surname (Idem, lines 15-17). No one in the Natural structure has the name Root or Roots.

13. Natural learned of the existence of Roots and of the nature of its claimed business activity "at least as early as" June, 1977 when the trademark cancellation petition was filed and served (Complaint, par. 10 and Exhibit C to the Complaint) [The testimony about 1975 communications is not covered here].

14. Up until the marketing of shoes though Saks in 1977, Natural sold all its shoe production through a system of complete vertical integration from factory to consumer, through so-called "company stores" (owned 50% each by Green and Budman, evidently through separate corporations) and "franchise" stores, whether in Canada, in the U.S., or in Amsterdam or Munich. The only intermediary seems to have been Century Importers, mostly owned by Green and Budman, with Green's father (who evidently operated the company) holding 4% of the stock, to handle import duties, customs brokers, and the like

15. No shoes but Natural's were allowed to be sold in any of the retail stores, and such other minor items as they carried were controlled by Natural and marked "Roots", though provided by others directly to the stores and thus not reflected on Natural's books. "Rain and Stain" was supplied by Cadillac Shoe Products of Detroit; "Saddle Soap" and "Mink Oil" were supplied by Harry Hoffman in Milwaukee. (Tr. of 11/1/79, pages 76-77). Leather bags were made in England; scarves were made in Europe, and sold directly to the stores. T-shirts were made in Berkeley and sold directly to the stores (Tr. of 10/24/83, pages 4.97-4.98).

16. Natural itself has never used "Roots" as part of its corporate name, but only as a trademark on shoes and other goods made by it or supplied by others at its request. There is

testimony that the company and franchise stores in the U.S. used the name "Roots" on their signs, as "Roots Natural Footwear" but none is a party and there is no document or summary of corporate titles in evidence.

17. The first time Natural sold wearing apparel categories as "cotton-wool sweaters, corduroy and velvet sports suits and pants, tweedsports coats, cotton shirts, outerwear and wool jackets" (as described in paragraph 7 of Mr. Green's affidavit filed in 1979 in opposition to the preliminary injunction) was the sale to Saks for retail offering in the Fall of 1979 through three stores in New York, Michigan and Illinois.

18. No such merchandise provided by Natural (whether made by it or others) bearing the mark "Roots" had previously been marketed through any but the vertically integrated channels down to the retail stores, described in item 14 above.

19. At the time Natural first sold shoes with the mark "Roots" to Saks in 1977, or shortly thereafter, it never told Saks about the trademark cancellation petition it knew was pending then and since.

20. When Natural later began to sell shoes under the mark "Roots" to other retailers such as Bloomingdales, Macy, and others, it never told any of them of the pendency of the trademark cancellation petition.

21. None of the managers of retail stores in the vertical integration scheme in the U.S. was ever told (while in existence) of the pendency of the trademark cancellation petition.

22. As late as December, 1979, when the preliminary injunction against sale of wearing apparel other than shoes took effect, Natural did not tell Saks or any other retailer, including its own company and franchise stores, of the pendency of the trademark cancellation petition.

23. Natural's North American sales manager, Marshall Myles, was not aware of the present lawsuit (filed by Natural)

until April, 1982 when he was noticed for depositions. He was not aware of the existence of the trademark cancellation proceeding as to footwear until Roots' counsel asked him about it "just now" (on the morning of October 28, 1983). He was told by Green and Budman, when the leather jackets were returned from Saks in 1979, that there was a problem with the name Roots in the U.S. as to clothing. He has never mentioned the subject or "problem" to other stores such as Macys or Bambergers. He has never been given a copy of the December, 1979 preliminary injunction order. Richard Kowalewski was never informed of a conflict with the name Roots in the U.S., nor was he told anything until the Summer of 1983 (some 3.5 years after the preliminary injunction), see 10/19/83 Tr., p. 1.181.

24. Since the December, 1979 preliminary injunction Natural has made no sales of wearing apparel (except footwear) to the U.S. under the name Roots or any other name, except a small quantity supplied to the Michigan store under the name Don-Michael. Mr. Myles, Natural's sales manager, was instructed by Don Green not to sell to Natelson's, a Red Bank, N.J. store, until the law suit was over.

25. The major advertising effort by Natural in the U.S. on a national scale was the effort made through the Lord, Geller advertising agency in the latter part of 1975, at which time Natural's product was the negative heel, modified Earth shoe or health shoe then sold only through Natural's own vertically integrated stores. After the popularity of that shoe in the U.S. waned, and production shifted to what the testimony called leisure shoes aimed at a different and larger segment of the population, and the marketing channels shifted to those of established retail chains, such as Saks, and independent shoe stores (all of whom were not limited to Natural's product alone), the national advertising largely took the form of ads placed by those retailers to offer those shoes, and this began in 1977, with most of it going on after Natural was aware of Roots' petition to cancel the U.S. registrations of "Roots" for footwear.

The Expert Witnesses.

Albert Resnick, a Canadian chartered accountant (equivalent to a U.S. CPA), is with a firm that has served as Natural's outside accountant from 1974 on. His testimony was to present figures for Natural sales into the U.S. from 1973 through 1982, as well as advertising expenditures. He described the structure as consisting of Natural Footwear, owned 50% each by Green and Budman, with Century Importers as the American agent for export to the U.S., and owned 48% each by Green and Budman and 4% by Irwin Green (father of Don). There were many corporations formed in the U.S., each owned 50% each by Green and Budman and named "Natural Footwear of Detroit", or Idaho, or whatever geographic area each covered.

Sales by Natural into the U.S. were through Century from the beginning until early 1979 when the use of Century was discontinued. The figures are not appreciably different from those available at the time of the preliminary injunction hearing for the period until then, but the figures were supplemented through 1982.

The exhibits introduced through Mr. Resnick disclose the general levels and trends outlined in the first part of this opinion, with sales for 1975 being the peak (this was when only the negative heel shoe was made) and thereafter at declining levels, with fluctuations. The extent and timing of the phasing out of sales of negative heel shoes and the growth of traditional type shoes is not evident in any precise way, although the evidence as a whole indicates that the decline had begun in 1976, and the change began in 1977 with the first sale of leisure shoes to Saks. The only reliable indication is in the pace of closing of the vertically integrated stores, but there are no separate figures by store, and such state-by-state figures as were tabulated do not distinguish between the two distinct kinds of shoes.

The figures for U.S. advertising were developed from lists provided by a bookkeeper at Century, not under the witness' supervision. Mr. Resnick compared the list entries against check stubs, at least in some cases, as the only kind of verification he could make.

The list of Century checks for advertising for 1975 (when the Lord, Geller program was under way) was of the order of nearly $300,000. Lord, Geller's name appeared repeatedly in the check stubs, one being to Lord, Geller of Puerto Rico, but as he did not have the invoices he could not tell what the payment was for. For a post-audit review of expenditures, Mr. Resnick would prefer to see the cancelled check with bank stamps and the corresponding invoice, rather than the check stubs alone. One Lord, Geller invoice to Century was for preparing a Canadian script version, but whether Century was reimbursed for that item does not appear.

The only figure for U.S. sales of shirts, sweaters, jackets and pants (i.e. clothing) of any significance is for some $52,000 in 1979, which is largely the sale to Saks that prompted the application in that year for the preliminary injunction. For 1980 the category shows a negative $4,500., reflecting returned goods, and thereafter zero.

The Resnick testimony tended to confirm what was evident, and what was found, from the record on hand at the time of the injunction hearing in 1979, updated it, provided more detail, but did not alter the broad outlines then evident.

Steven Osterweis, a consultant in retail marketing, with experience working with Gimbel Bros. and related stores, and since leaving has revived the Institute of Retail Merchandising as part of the business school at NYU, and has done consulting work, testified as an expert in retail merchandising.

He examined a variety of materials pertinent to Natural's business activity, including its advertising efforts. Most of what he examined was received in evidence either before or after he testified; some was not but the items not in evidence are not considered critical or important enough to require striking any part of his testimony.

His opinion was largely one of impression rather than detailed study and analysis. He read some materials, such as the pleadings (and the cancellation petition) for background. Other items such as customer letters, ads, invoices and the like he went through quickly to get an overall view.

He expressed opinions as to both Natural and Roots.

As to Natural, his opinion was that in the early years, 1974-1976, the company had a clearly defined objective of penetrating the U.S. market through the network of its stores, aimed at the market segment interested in the negative-heel shoe. Their advertising and merchandising effort was aimed at that goal and segment. There was one major effort in television media, and very little effort in direct merchandising. The identification was through the store locations.

This objective and effort changed, moving away from their own stores to selling through department and specialty stores with many branches, some buying centrally and others on a divisional basis. There was no information for deciding whether every branch was supplied with a full line or not, and for a store with the full line fewer units would be expected to sell in the smallest and largest sizes, on the usual Gaussian or bell curve.

He considered that by 1976, Natural had achieved the objective of having a national reputation in major markets in the United States for the original modified earth shoe, and that thereafter it changed channels to those largely of department and specialty store accounts. He did not try to put this into quantitative terms as he did not know what proportion of the population was served, but the geographical spread was national.

He also reviewed like materials about Roots, and concluded that it was an excellent store with a rather clearly defined marketing thrust with certain types of merchandise. Taking into account the amount of sales and the pattern of advertising, he did not believe there was evidence to support a contention of its having a national reputation beyond that of a local retailer. He made no analysis of his own but looked to the tabulations prepared by Mr. Boiko (Exh. P-140). He visited the Summit store shortly before testifying and confirmed the view and impression he had that it was a high quality specialty store with a substantial amount of Roots labelled items, some combined with the manufacturer and others with Roots alone.

The percentage of out-of-state sales to total sales is a measure of national reputation but not the only measure. It is possible to have a national reputation and to sell throughout the U.S. even though such sales are a small percent of the total business.

He felt the figures in Exh. P-140 showed too small an absolute volume of sales out-of-state to indicate enough penetration in relation to the size of the market, though he had only a general impression, not a statistic. He had no way of evaluating the cumulative effect of out-of-state sales over a period of years but did not think this would be a significant element in developing an acceptance ad maintenance of a reputation for a name.

When he joined Gimbels in 1947 or 1948, the New York store probably had something close to a national reputation. He knows Harrods, the London department store, and believes it has achieved a reputation among the top 10% to 15% income bracket of the population in major cities of the U.S. although it has no stores or warehouses in the U.S. and does very little advertising here, plus some joint public relations activities jointly with some U.S. stores with promotions of British goods from time to time, as well as London promotions of U.S. goods in the Harrod's store.

In discussing what was called "direct marketing" or mail and phone sales from occasional catalogs, he said that Hammacher Schlemmer was a pretty good example. Hoffritz he regarded as relying on mail sales to a lesser degree.

The Roots ads in the New Yorker would be consistent with a national reputation but it seems to have ended around

1966. If it went on beyond that time he would change his opinion.

John A. Boiko, a CPA, testified to explain the counts and tabulations made to prepare Exh. P-140.

For the study of the two months in late 1973 and early 1974, he had copies of monthly statements to customers with Roots credit cards. For the first of the two months, names from A through C and T through Z were not included and he had 3,000 statements. For the second of the two months he had all names, and there were 7,000 statements. These were manually segregated as New Jersey or out-of-state and the out-of-state ones listed for a computer run to identify the states, number of customers, dollar amount and so on. The counts are set out on Exh. B and C of Exh. P-140.

Similar analyses of out-of-state sales shown by sales slips were made for 1976, 1977 and 1979 using such slips as were provided. Mr. Boiko did not review all the sales slips available to Natural, or packing slips, but used what he was handed.

For 1976, he had 951 out-of-state sales slips. For 1977 he had 2,740 slips. Due to limited time he was given none for 1978. For 1979 he had 1,351 sales slips.

Calculations were then made on the basis of such statements as were available in the two months of 1973-1974 to establish percentages shown by the samples in relation to total sales and these were extrapolated or estimated. Similar calculations were made for sales slips analyzed from 1976, 1977 and 1979.

The final tables show ledger entries for Roots for various advertising expenses from 1965 through 1977.

Various other witnesses, such as Mr. Osterweis used these tabulations as presented but did not check any underlying data. A number of errors were brought out in the examination of Mr. Boiko. Such errors appear to be of the type which are inevitable with any clerical operation, especially when the data on hand has no corresponding reference source for proofing or test for error. All the tabulations relating to sales are based on limited samples in the selection of which Mr. Boiko had no part.

Henry Assael, a professor of marketing at NYU with a doctorate from Columbia in business administration testified with his opinion in regard to Roots' marketing and its national reputation based on its total marketing strategy.

His definition of achieving a national reputation was based on various criteria such as the national advertising strategy, the existence of direct mail campaigns, the sales made out-of-state, the use of regional warehouses, the use of multi-store outlets out-of-state, and the like.

His opinion was that what he saw of the Roots operation indicated an activity typical of a local retailer of very high quality, with quality merchandise and a quality reputation in Northern New Jersey, possibly the State of New Jersey, that may cross the State line into New York.

It is possible to successfully achieve a national reputation without having out-of-state warehouses and stores, but there must be at least one of his criteria to meet his definition such as a national advertising campaign.

Word-of-mouth communication plays an important role in building a reputation. It is more important for quality attire than for other industries. Examples are Texas based Neiman Marcus, Arizona based Goldwater's, Chicago based Marshall Field.

It is possible to achieve national reputation with zero advertising. Hershey is the classic example, and is based on wide distribution and high quality.

Customer loyalty for soap products decays more quickly than for fashion goods. Awareness can be achieved with a concentrated campaign, and the reputation so established can then be sustained with lesser efforts as well as by repeat sales.

To achieve a national reputation, he felt the borderline minimum needed for a national advertising campaign would be about $4. million, and to sustain such an expenditure, the corresponding sales would need to be about $100. million.

Ultimate findings of fact and Conclusions.

The complete trial record is massive and contains extensive detail about both Natural and Roots. All of it has been carefully reviewed. From the evidence taken as a whole, the major aspects appear quite clearly and without doubt.

Roots was well established as a business, and its name had come to firmly identify its goods as a common law trademark by 1965 when the going business was acquired by HS & M late in that year. As between the Roots family in the business, and HS & M, the name was sold along with the going business for the retail sale of wearing apparel, including shoes, and the newly formed subsidiary, Roots, Inc. acquired the intangible rights that accompany the mark and tradename. The business since then has grown steadily, and while the bulk of sales take place at the New Jersey stores, there was a conscious and deliberate effort to extend the recognition of the name and mark, and the sale of goods with that mark, throughout the United States, both before and since that sale. While the percentage of out-of-state sales is a fraction of store sales, the business is there, it is steady and it has grown. The tabulation of Exh. D to Exh. P-140 illustrates the difficulty of making precise measurements. One witness thought the growth of sales from 1976 to 1977 to New York customers was an indication of the opening of the new store in Riverside Square in Hackensack. Those sales to New York addresses more than tripled from $36,000. in 1976 to $118,000. in 1977. But the same table shows a tripling of sales to California and to Connecticut, a near tripling to Florida and Maryland, more than triple to Massachusetts, and more than double to Virginia, none of which areas could conceivably be directly affected by the Hackensack store opening.

In fact, the major correlation from those tables lies in the dollar amount of sale per sales slip, and so the figures reflect no more than the availability for the tabulation of fewer or more sales slips.

For 1976, there were sales of $72,840 reflected on 951 sales slips for an average of $76.57 per slip. In 1977 there were sales of $198,175. shown on 2,740 slips, for an average of $107.65 per slip. For 1979, the sales totalled $105,301. for 1,351 sales slips for an average of $77.94 per slip.

Thus, what may seem to be an ebb or flow of dollar sales to one or another state is most likely no more than a function of the number of sales slips that could be found, or of those found, that were provided to Mr. Boiko for analysis. That there were as many sales slips for that period still in existence is somewhat of a surprise, and the same is true of packing slips and customer charge accounts, since these are ordinarily not kept very much longer than needed for adjusting customer accounts and settling differences. It is also quite clear that what still existed was less than all that were written at the time, and the cost and labor of attempting any kind of complete reconstruction would be prohibitive and far beyond the value of the lawsuit on either side, let alone both.

The incompleteness does not matter. What is there wholly corroborates the testimony of Perry Root, who conceived the notion of building up the Roots reputation and extending it by sales as far as he could, and such records as there are fully support his testimony that he has achieved, and continues to achieve, that goal. No one will ever know what the no-longer-existing sales slips and other transactions would have shown. The ones that do exist have made a corroborating showing and what they write cannot be erased.

The opinion of Dr. Assael about the criteria he has set to measure "national reputation" is not pertinent to this case. This finding in no way questions his qualifications or the academic theories of marketing he presented. They are not pertinent simply because his criteria are attuned to a much different order of magnitude of activity in the entire U.S. market than is here involved. Neither side has engaged in an advertising campaign remotely approaching $4. million, and the best year of Roots involved gross sales slightly more than 10% of the $100. million he felt was needed to support the $4. million expenditure. His criteria obviously relate to mass marketing of some product in very large volume that would represent some significant share of the total market. The data from the *Brown Shoe* case, and from the Statistical Abstract, indicate that both Natural and Roots together would be no more than a mere decimal point figure of the total for wearing apparel or shoes, taken separately or together.

The very nature of the activity chosen by Perry Root forecloses any such mass marketing levels. The basic object has been to offer wearing apparel of the highest quality, style and fashion to customers interested in such goods and who are found in the higher economic levels of the population. Such merchandising methods are aimed at a relatively small number of buyers in the general population who are sought as steady, long-term customers likely to have a strong loyalty to the brand, the service and attention which accompany the method.

In this context, large numbers are not to be expected any more than they can be for like "up-scale" goods of other categories, such as automobiles, furniture, china, glassware, cutlery and the like.

An excellent example is found in the ceramic reproductions of flowers and birds produced by the world famous ceramist, Susan Dorothy Doughty (1892-1962) who produced her work in limited edition from 1935 through the Royal Worcester Porcelain Company in England. See Encyclopaedia Brittanica, 15th Ed., under "Doughty" and under porcelain bird figures, 14:917e. Her works are known as "Dorothy Doughty birds" and although the number of items made was not very large there can be no doubt that she achieved international identification for her name and mark, fully entitled to protection, without mass marketing and without $4. million publicity and advertising campaigns. To have attempted any such program would have been to create a demand that could not be met. This is so well known as to warrant taking judicial notice of it.

Nor is there any evidence of abandonment of the Roots mark in favor of the mirror R logo. Before Natural came into existence the mirror R appeared as a stylistic element of the border surrounding the name Roots, as on the catalogs as far back as 1956 and thereafter, see Exh. CC-49(1956); Exh. CC-50(1960); Exh. CC-51(Fall, 1961); Exh. CC-52(Christmas, 1961), for example. It appears in a different stylized form as a mirror R logo together with the name Roots on Exh. CC-56 (1968) and Exh. CC-57 (1969), for example, and another version uses the same stylized mirror R as a double R for the first letter of the mark Roots, as on Exh. CC-58 (Fall, Winter, 1973) and thereafter. The most recent catalog, Exh. CC-79 (Christmas, 1983) shows the same combined use on the cover and on the private brand labels of shirts pictured within the catalog.

Thus, the only evidence shows that the mirror R has been and is used as a logo along with the name Roots, as on the catalogs noted and on the gift box, Exh. CC-81, and also as the first letter of Roots. There is not the remotest suggestion of abandonment of Roots as a mark, and it has also been part of the corporate business name at all times to date.

Thus, the evidence as a whole clearly and convincingly shows that Roots had established and continues to enjoy unique identification for the wearing apparel (including shoes) sold by it as a merchant, both as a tradename and as a trademark, mainly in New Jersey but throughout the United States as well, long before Natural's first shipment of shoes to California in late December, 1973. Roots is undoubtedly the senior user.

The opinions of the experts, Osterweis and Assael, are not persuasive. Both are no more than casual, off-the-cuff views with not much beyond a superficial exposure to the underlying facts. This is not the fault of either expert, but is the inevitable consequence of gathering large masses of records and then finding it too expensive to have the experts reveiw more than a bit of it here and there. The opinions expressed are also weakened in the assistance provided because both Dr. Assael (mentioned above) and Mr. Osterweis were using criteria applicable to very large scale businesses rather than small ones. Nothing in the common law of trademarks, or in the Lanham Act, limits the protection of the intangibles arising from the use of a well-established and strong mark, such as here, to large enterprises. Small enterprises as well as massive ones are equals in the eyes of the law.

It is undeniable that Roots had engaged in soliciting and achieving sales of its goods, under its name and mark, throughout the United States long before Natural began, and under no theory or principle could Natural, the newcomer, expect to bar or preclude business activity already engaged in regularly and without interruption. This is especially so because Natural began with a very specific and single kind of shoe, the negative heel Earth shoe for which there happened to be a fad at the time. Like the hula-hoop, that fad is largely gone and Natural seeks not only to redirect its effort into traditional shoes of the leisure type, but also to claim exclusive right to Roots' mark (but only for stores outside New Jersey) for all kinds of wearing apparel as well. The position is inherently inequitable and cannot be sustained on the evidential record.

Since Natural and Roots deal in competing goods, it is hardly necessary to look beyond the name or mark itself, see *Interpace,* Slip at par. 4. Since Roots had long been distinctive for the goods it sells, the likelihood of confusion is evident from the indentity between them, and see *Interpace* Slip at par. 8, citig the *American Plan* case as observing that: "Where the names are identical . . . the names in themselves are evidence of likelihood of confusion."

Also, in the allegations of its own complaint here, Natural has alleged the likelihood of confusion and, while it did not seek to prevent Roots from using its own name and mark as it had been (i.e., in its New Jersey stores and nationwide by mail) and only sought to prevent it from opening stores outside New Jersey, it can hardly take the diametrically opposed position and claim no likelihood of confusion as a matter of fact.

There is also evidence of actual confusion. The witness Hahn testified on May 4, 1982, to having received from newspapers tear sheets of ads for "Roots" shoes made by Natural (5/4/82 Tr., pp. 264-265; pp. 294-295). The witness Potente (who had been advertising manager and secretary to Mr. Root before Mrs. Hahn) testified on June 3, 1983 that in around March, 1975 she first saw an ad by Natural for a negative heel shoe with the name "Roots" (6/3/83 Tr. p. 41). She also testified that in June, 1975 she received more than 50 phone calls from persons seeking information about shoes, or wanting to order shoes, advertised by Natural's store in New York (6/3/83 Tr. pp. 75 to 79). She reported all of this to Mr. Root, and heard his side of a conversation with the owners (Natural) in which he told them that their ads were causing confusion among Roots customers, that Roots had prior use of the name and urging them to discontinue using it. She typed the letter of June 20, 1975, Exh. CC-16. She also received tear sheets of Natural ads from the New York Times and was billed for Natural's ads, and this had to be corrected. (6/3/83 Tr. pages 79-92). The exhibits, which run from March to December, 1977, are Exh. CC-27 through 31, are the tear sheets with the witness' notes on them. Further testimony along the same lines was adduced on cross, including the fact that the first four ads (CC-27, 28, 29 and 30) were published between March 16 and April 13, 1977 (just before Roots filed its petition for cancellation), and the fact that Mr. Root's phone call that she heard was to Toronto to a Richard Greenspan or Green (7/7/83 Tr., pages 63-74). Don Green's brother is Richard.

In its decision on the preliminary injunction, the court found the evidence then to show that Natural was aware of Roots' protest and objection from 1975, when Exh. CC-16 was sent to Mr. Novak. That finding was confirmed on the whole record in view of the Potente testimony, the further testimony by Mr. Root, the evidence from Exh. P-175 and its notations, all of which was met only by "no recollection" on the part of Mr. Budman. Mr. Green did not testify again after the preliminary hearing, and an offer of Natural's of some deposition testimony he gave was objected to as he was not shown to be unavailable.

Aside from that, the evidence on the entire record on this point strongly confirms that Natural's development of the new retail distribution channels for shoes, from its own stores to department and specialty stores and independent shoe stores, as well as the 1979 clothing effort that sparked the application for an injunction, was an intentional and deliberate effort to degrade Roots' position and capture the name and mark for its own.

This warrants not only permanent injunctive relief but the equitable remedy of accounting for profits, discussed later in connection with remedies.

The conduct complained of is clearly unfair competition in the sense discussed above, and since the injury is irreparable, Roots is entitled to injunctive relief.

The evidence that Green and Budman kept their knowledge of the petition to cancel the trademark registrations for shoes to themselves, never telling any of their own or franchised store managers, or buyers at stores like Saks, Bloomingdales or Macy, or the Kowalewskis, or even their own North American sales manager, is startling.

It may be that the concealment of that knowledge protected their customers from the risk of joinder as parties and of accounting for retail profits from their own sales due to lack of knowledge, but it also rather obviously enabled Natural to obtain orders that buyers might have refrained from placing had they known, just as Saks preferred not to become involved in the present lawsuit when the preliminary injunction prevented the sale of wearing apparel other than shoes.

It must be emphasized that nothing about the cancellation petition or this suit in any way prevents Natural from selling shoes, other wearing apparel or any related goods in fair and open competition. The only impact is to prevent unfair competition by the wrongful use of Roots' name and mark.

Remedies

1. The non-final order of September 8, 1983 will be made final by including it in the final judgment, with direction that Natural's registrations be cancelled.

2. A permanent injunction will be granted forbidding the Natural parties, and all others who can be affected by the injunction under F.R.Civ.P.65 from using the name or mark "ROOTS", or any colorable imitation thereof, on or in connection with the manufacture, sale, offering for sale or advertising of wearing apparel (including shoes) and haberdashery goods and accessories related thereto, whether as a tradename, business name or trademark, anywhere in the United States.

3. Because there is inventory in existence in the hands of non-parties who have not been informed of the litigation, they will be allowed to sell that inventory at retail even though it carries the mark "ROOTS" without violating the injunction but they are not to use "ROOTS" in any advertising of any kind. Orders already placed with Natural and in production for future delivery may be filled but Natural shall not fill any orders received after the date hereof with goods marked "ROOTS".

4. Natural will be required to account for profits. In balancing the equities, the accounting shall run for profits on goods sold into the United States for the second half of 1977 and for all years since until the date when the name ROOTS

is eliminated from goods produced. In the case of the more recent models of shoes not using molded soles, this can be changed as quickly as new dies for branding the soles and inner heel liner can be made, and boxes changed. For the shoes with molded soles, either the molds must be altered to remove ROOTS or else be replaced with new ones.

5. The word "ROOTS" is to be deleted from all letterheads and other printed matter, including flyers, stuffers and the like, forthwith.

6. From what the court has seen of the documentary exhibits, a formal accounting will be quite expensive, time-consuming and the source of considerable controversy. In an effort to provide a means for practicable resolution, it is suggested that, if the parties agree, the accounting take the form of ascertaining from Natural's books and records, the amount of its gross sales into the United States (see e.g., Exh. CC-67) and applying to that the 20% markup testified to by Mr. Green, and taking that figure as gross profit from sales to the United States. From each year's *total* figures, a ratio can be developed in the aggregate between net profit after tax and gross profit. That ratio can then be applied to the figure determined as gross profit on the sales in to the United States. The chartered accountants in Toronto can prepare the data and submit it to an independent accountant designated by the magistrate for review, correction and adjustment, and the magistrate can then submit to the court a report and recommendation thereon.

7. Costs are allowed, but the court lacks authority to allow attorneys fees, as requested. While the case is doubtless an "exceptional one" in the sense of 15 USC §1117, because of the knowing and deliberate nature of Natural's misconduct and its concealment from everyone in and out of the company of the pendency of the cancellation petition and the litigation, the authority of §1117 extends only to a case where the infringed mark is registered, and Roots did not have a registration. There are cases elsewhere allowing attorney fees in like circumstances to cases coming within 15 USC §1125, but

none is the Court of Appeals here, and the authority to award does not clearly appear as a matter of law.

8. Since the obligation to account for profits is decided but the amount remains to be settled, the judgment will contain the express findings and directions specified by F.R.Civ.P. 54(b) to make clear that appeals from all aspects except the open matter of the amount of profit can be taken now. The former provision of 28 USC §1292 (a) (4), allowing appeals from judgments in actions for patent infringement which are final for all aspects except accounting is not drawn to cover trademark cases, and is now 28 USC §1292 (c) (2), governing appeals to the U.S. Court of Appeals for the Federal Circuit. Natural wanted to appeal the non-final judgment of September, 1983 but could not, and now that trial is completed should be allowed to proceed without delay. The provision to be included will insure this. Compare *Cobbledick* v. *U.S.,* 309 U.S. 323 (1940); *In re Grand Jury (Appeal of TRW),* 638 F. 2d 1235 (CA-3, 1981).

December 8th, 1983

/s/ Vincent P. Biunno, U.S.D.J.

Original to Clerk
Copy to: John T. Dolan, Esq
Hoerst Werder, Esq.
Richard Heller, Esq.
Thomas Hofstetter, Esq.

United States District Court
FOR THE DISTRICT OF NEW JERSEY

Civ. 79-2966

NATURAL FOOTWEAR LIMITED,

Plaintiff,

vs.

HART, SCHAFFNER & MARX AND ROOTS, INC.,

Defendants.

and

ROOTS, INC.

Counterclaimant

vs.

DON GREEN, MICHAEL BUDMAN AND NATURAL FOOTWEAR LIMITED,

Counterclaim Defendants.

FINAL JUDGMENT

This matter having come before the court for trial without a jury, in the presence of the parties by their attorneys of record and counsel pro hac vice; and

The court having heard and considered the testimony of the witnesses and having examined and considered the documentary and physical exhibits, as well as the argument on the law as presented in the briefs and orally; and

The court having found that:

1. Roots, Inc., a New Jersey corporation, is the owner of the tradename and trademark "ROOTS" for use as a business

or corporate name and as a common law trademark for goods sold by it as a retail merchant, to wit, wearing apparel of all kinds, including shoes, as well as haberdashery and like goods accessory thereto;

2. Counterclaim defendants Don Green, Michael Budman and Natural Footwear Limited, a corporation of the Dominion of Canada, (hereafter "Natural" collectively) have used "ROOTS" in the United States in connection with the sale, offering for sale and advertising of wearing apparel, primarily shoes, and goods accessory thereto and that such use constitutes unfair competition and a false designation of origin within the meaning of 15 USC §1125 and the law of New Jersey;

3. Roots, Inc. has thereby been damaged and is likely to continue to be damaged by reason of actual and likely confusion of customers in regard to the source of the goods;

4. The injury sustained and to be sustained by Roots, Inc. is irreparable and not adequately compensable by money damages;

5. Natural has obtained registration in the U.S. Patent and Trademark Office of Registration No. 995,891 (October 15, 1974) and No. 1,008,601 (Apr. 8, 1975) on the Principal Register for the trademark "ROOTS" and the trademark "roots" and design, without being entitled thereto because the same, insofar as the component "ROOTS" or "roots" is concerned so resembles the mark and trade name previously used in the United States by Roots, Inc. as to be likely, when applied to Natural's goods, to cause confusion, or to cause mistake, or to deceive, all as provided by 15 USC §1052(d).

6. Roots, Inc. is entitled to a determination that Natural has no right to said registrations and to an order directing the cancellation of said registration;

7. Roots, Inc., is entitled to have an accounting for the profits of Natural derived from the sale of goods in the United States under the mark "ROOTS";

It is on this 8th day of December, 1983

ORDERED that:

A. The counterclaim defendants, Don Green and Michael Budman (joint owners), now or formerly doing business as Don-Michael, should have had refused to them the registration, on the Principal Register, of the trademark "ROOTS" and of the trademark "roots" and design, by Reg. No. 995,891 (Oct. 15, 1974) and Reg. No. 1,008,601 (Apr. 8, 1975), respectively, by virtue of 15 USC §1052(d), insofar as the word "ROOTS" or "roots" is included, and said registrations are ordered cancelled to that extent.

B. The Clerk of this court shall forward a certified copy of this Final Judgment to the Commissioner of Patents and Trademarks so that he may make appropriate entry upon the records of the Patent and Trademark Office pursuant to 15 USC §1119.

C. Counterclaim defendants Don Green, Michael Budman and Natural Footwear, Limited (hereafter "Natural" collectively), together with their, and each of their, officers, agents, servants, employees, and attorneys, and those persons in active concert or participation with them, or any of them, who receive actual notice of this Final Judgment by personal service or otherwise, are permanently enjoined and restrained from the use of the name or mark "ROOTS", or any colorable imitation thereof, in connection with the sale or offering for sale at wholesale or retail, or for distribution in the channels of trade, or by advertising, of any kind of wearing apparel, including shoes, as well as haberdashery and other accessory goods; this restraint being limited to the United States.

D. The provisions of paragraph C, insofar as applicable to persons who have purchased goods from Natural, are allowed to offer for sale and sell, at retail, so much of said goods as remains in inventory on hand and as has been ordered, accepted, and is in actual production on the date hereof, notwithstanding that said goods may carry the mark "ROOTS" thereon, without violating the provisions of said paragraph C; but this exception shall not apply to any and all advertising which, after any such person has received notice hereof by service or otherwise, may not include the name or mark "ROOTS" or colorable initiation thereof.

E. The provisions of paragraph C shall not apply to Natural, or to its or their offices, agents, servants, employees or attorneys to the limited extent that they are allowed, if they so choose, to complete the production of goods already ordered, accepted and production begun on the date hereof, but only so long as needed to replace dies or molds, or to alter or modify existing dies or molds, to remove "ROOTS" therefrom, which change shall be made as rapidly as the logistics involved permit.

F. Natural shall account to Roots, Inc., for the profits realized from the sale of shoes in the United States with the mark "ROOTS" for the period July 1, 1977 to the date on which the sales allowed by paragraph E come to an end. The accounting shall not include profits realized from sales at retail by persons not party to this action. The accounting shall be supervised by the Magistrate, with the assistance of an independent accountant expert selected by him and whose services are to be compensated by Natural, and the Magistrate shall make a report and recommendation thereon.

G. Costs are allowed to Roots, Inc. and Hart, Schaffner and Marx.

H. The application of Roots, Inc. and Hart, Schaffner & Marx for the allowance of attorney fees is denied for lack of legal authority to do so as explained in the opinion of even date.

I. Within 10 days after the date hereof, Natural shall cause to be mailed to all retail outlets in the United States to which it has shipped shoes at any time on or after January 1, 1983, bearing the word "ROOTS" on the goods, or on any box or other container, either a copy of this Final Judgment or a brief notice explaining that Natural has been enjoined and restrained from using the name "ROOTS", but that the retailer is allowed to sell whatever remaining goods with that name are in inventory or on order accepted and in production, but may not hereafter use the name "Roots" in any advertising of Natural's goods; and that future orders will be filled with goods not bearing the name "Roots". A certification by a person having personal knowledge, setting out a list of all retail outlets (and addresses) to whom a copy hereof, or the notice described, was sent, shall be filed under seal with the Clerk of the court promptly after such mailing.

J. Roots, Inc., at its own cost and expense, may supply copies of this judgment as information to trade journals circulating in the United States, as information.

K. Final judgment on the complaint herein is entered in favor of Hart, Schaffner, & Marx and Roots, Inc., and against Natural Footwear, Limited, with costs.

L. Except in respect to the proceedings before the Magistrate to report and recommend an amount as the profits to be accounted for, it is expressly determined that there is no just reason for delay and judgment is expressly directed to be entered in all other respects.

/s/ VINCENT P. BIUNNO

U.S.D.J.

Original to Clerk
Copy to: John T. Dolan, Esq.
Hoerst Werder, Esq.
Richard Heller, Esq.
Thomas Hofstetter, Esq.

UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

NO. 83-5883

NATURAL FOOTWEAR LIMITED,
A Corporation of the Province
of Ontario Canada,

v.

HART, SCHAFFNER & MARX, a New York
Corporation, and ROOTS, INC., a New Jersey
Corporation,

ROOTS, INC., A New Jersey Corporation,

Counterclaimant

v.

DON GREEN and MICHAEL BUDMAN, Individuals,
and NATURAL FOOTWEAR LIMITED, a Corporation
of the Province of Ontario, Canada,

Counterdefendants

NATURAL FOOTWEAR LIMITED, DON GREEN,
and MICHAEL BUDMAN,
Plaintiff and Counterclaim Defendants,

Appellants

NO. 84-5002

NATURAL FOOTWEAR LIMITED,
A Corporation of the Province
of Ontario Canada,

v.

HART, SCHAFFNER & MARX, a New York Corporation, and ROOTS, INC., a New Jersey Corporation,

ROOTS, INC., A New Jersey Corporation,

Counterclaimant

v.

DON GREEN and MICHAEL BUDMAN, Individuals, and NATURAL FOOTWEAR LIMITED, a Corporation of the Province of Ontario, Canada,

Counterdefendants

HART, SCHAFFNER & MARX and Defendant-Counterclaimant ROOTS, INC.,

Appellants

On Appeal from the United States District Court
for the District of New Jersey
(D.C. Civil No. 79-2966)

Argued July 20, 1984

Before: SLOVITER and BECKER, *Circuit Judges*
and FULLAM, *District Judge**

(Filed April 19, 1985)

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* Honorable John P. Fullam, United States District Judge for the Eastern District of Pennsylvania, sitting by designation.

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OPINION OF THE COURT

BECKER, *Circuit Judge.*

This is a trademark infringement case in which two business concerns vie for the sole right to use the mark ROOTS for footwear and wearing apparel. Roots, Inc. ("Roots") is a northern New Jersey retail clothing operation which sells high quality clothing in several stores in northern New Jersey, and which has a scattering of mail order customers throughout the nation. Natural Footwear Limited ("Natural"), the other contending party, is a Toronto and Detroit-based footwear and apparel manufacturer which came into prominence in the 1970's by reason of its "Earth Shoe," a negative heel shoe which was the subject of a health fad. Natural registered the mark and opened numerous retail stores across the country, developed a high sales volume, and placed a large volume of advertising nationwide. Roots, however, claims that it has obtained common law trademark rights superior to the rights that flow from Natural's federal registration because of its prior use of the mark.

After trial, on the theory that Roots had prior rights to the ROOTS mark and that the mark, as applied to Roots' products, had already acquired secondary meaning in a national market, the district court awarded Roots a permanent nationwide injunction against Natural's use of the trademark ROOTS, ordered cancellation of Natural's federal registrations, and awarded Roots an accounting of Natural's profits. The court denied Roots' request for counsel fees. Natural has appealed, and Roots has cross-appealed.

We conclude that the district court's decision was without basis in fact or law; that Roots is a local New Jersey clothier whose advertising was primarily local in character and whose market penetration outside of New Jersey was, as a general matter, *de minimis* at the time of Natural's registration; that the district court's grant of a nationwide injunction constitutes a clear abuse of discretion; and that its award to Roots of an accounting of Natural's profits outside of New Jersey was completely unjustified, as was its cancellation of Natural's registered trademarks. We also will remand so that an appropriate injunction may be entered in favor of Natural and so that the district court may consider more fully the common law rights of the parties to use the ROOTS trademark on clothing. The denial of Roots' request for attorney's fees will, however, be affirmed.

We turn now to a summary of the facts underlying this case, which are central to its understanding.[1] Following this, we will describe the procedural history leading to the present appeal.

I. *FACTS*

A. *Roots: Its Mark and Merchandise*

Roots, a retail clothing chain catering to what its president Perry Root, son of founder Adolph Root, refers to as an "upscale" clientele, began doing business in Jersey City in 1917. A second store was soon opened in Bayonne. These stores were relocated to Summit, New Jersey, in 1931.

Roots sells men's and women's clothing and shoes manufactured to its specifications by companies such as Hathaway, Hickey Freeman, Southwick and Gant. In 1950, Roots began applying permanent woven labels bearing the ROOTS name to this merchandise. Fifty percent of the merchandise sold by Roots over the past 20 years carried the "Roots" label alone: an additional 30 percent bore the ROOTS label along with a less prominent manufacturer's label.

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[1] All of the facts recited are not disputed, unless otherwise stated.

Since 1965, Roots has been a wholly owned subsidiary of Hart, Schaffner and Marx, Inc. ("HSM"), under the name "Roots, Inc."[2] In 1969, with the opening of a shoe store in Summit, and a store in Red Bank, Roots began to expand in northern New Jersey. The stores in Summit, including the shoe store, and in Red Bank were the only Roots stores open in 1973 when Natural registered the mark "ROOTS" and entered the footwear market in the United States. In 1977, Roots opened stores at the Riverside Mall in Hackensack, and in Morristown (both in New Jersey). In an attempt to improve its ability to compete with stores such as Brooks Brothers, and to pave the way for further expansion in New Jersey, Roots opened a store in Short Hills in 1981. With the exception of one or two occasions when merchandise from Roots was sold in Filene's basement in Boston, and an unsuccessful attempt to sell ties bearing the ROOTS label through other stores owned by HSM, only Roots stores have sold merchandise bearing the ROOTS label. As of 1983, there were five Roots stores in operation, all in northern New Jersey.[3]

1. *Geographical Extent and Volume of Roots' Out-of-State Sales*

Roots' total sales, which include a small percentage of sales to out-of-state customers, increased steadily though usually modestly, each year from 1965 to 1982 when they amounted to $11,328,924. But in none of the years during this period for which documentation exists did Roots' sales to out-of-state customers amount to more than three percent of its total annual sales. Roots' out-of-state sales are attributable mainly to credit card purchases and mail orders for merchandise advertised in the Roots catalogue. Roots began to publish the catalogue, which remains its major national advertising effort, in 1956. At the same time it established a list of persons to whom the catalogue is regularly mailed. The mailing list includes names of Roots' credit card holders, persons who make purchases with cash or major credit cards, and persons who simply request that their names be added to the list.[4]

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[2] The agreement between Hart, Schaffner and Marx, Inc. (HSM), and Roots included a provision requiring HSM to pay Roots one percent of the profits from any new store using the ROOTS name within a 50-mile radius of the Summit store.

[3] The separate shoe store closed in 1983, and its merchandise was moved to the Summit store, so that now there are four.

Roots produced a computerized version of its mailing list for the years 1976 and 1980. The list includes 40,899 addresses from 43 states including New Jersey. Of that total 38,392 are New Jersey addresses. New Yorkers comprise the next largest group, with addresses of 1,093 catalogue recipients on the list. The only other significant concentrations of addresses are from Pennsylvania, Connecticut, and Florida. Each of these states is represented by fewer than 275 addresses. The 1980 list includes addresses from every state except Wyoming, but from many states there are only a handful. The preponderant number is from New Jersey. A much smaller number of addresses is from the metropolitan area of New York City. Many of the addresses identify former northern New Jersey customers who have moved to other states.[5] These lists are not customer lists. Roots has no systematic process for purging from the list names and addresses of those who have not made purchases within any particular period of time. An address is not deleted from the list unless mail is returned.

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[4] Ads in the *New Jersey Monthly* and the *New Yorker*, *see infra*, invited requests for the Roots catalogue.

[5] Roots has represented that a number of its customers were executives of large national corporations, many of which are headquartered in northern New Jersey, who have been transferred elsewhere in the country. The prominence of

The Roots catalogue is intended primarily to acquaint customers with the store's new merchandise, but Roots does not regard itself as a mail order store. Its catalogues bear this out: they urge recipients to visit Roots in New Jersey and shop there. Some of the brochures, however, also list a 201 (northern New Jersey) area code phone number to which orders may be placed. Over half of the catalogues for the years 1956-1983 make no reference to either phone or mail orders.[6] Only the 1960 and 1979 catalogues contain actual mail order forms. Though it has no documentation, Roots attributes between $250,000 and $500,000 annually to mail order sales from out-of-state customers.

In the mid-1960s Roots began to issue its own credit card.[7] From 1965 until 1975, when the information was completely transferred to a computer,

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Floridians on the list would also suggest that a number of Roots customers have remained on its mailing list after retirement.

[6] The 1979 catalogue generated orders from customers in 25 states and the District of Columbia. Roots produced representative mail order forms, but no tabulation of the amounts of these sales. "Out of state shipments" were made to 31 states in 1977, 45 states in 1978, 44 states in 1979, and 44 states in 1980. Roots produced representative packing slips, but no tabulation of the dollar value of these sales. It is not clear whether these shipments were in response to mail orders or whether walk-in customers had them sent to out-of-state addresses.

[7] Prior to that time, Roots had only maintained credit files for its customers.

Roots maintained the names and addresses of its credit card holders in giant Rolodex files. Before its use was discontinued, the Rolodex contained approximately 25,000 names of Roots credit card holders residing both in and out of New Jersey. Each card stated the date when the Roots account was opened, and any change of address along with a date. Prior to 1974, there were 1,108 entries listing out-of-state addresses, with 544 of these cards showing a change from a former New Jersey address. Before the information was completely transferred to a computer, the Rolodex contained 1,432 cards bearing out-of-state addresses, with 620 cards showing a prior New Jersey address. The out-of-state addresses are from 46 states, with the major concentrations of these from New York, Pennsylvania, Connecticut, and Florida.[8]

Although the Rolodex file was intended to include names of active credit card holders, Roots has no way of knowing when its card holders last made purchases and is unable to determine whether a card has ever been used. The credit cards do not expire automatically. Roots does not attempt to purge the Rolodex file of the names of card holders who fail to make purchases within a particular period of time. A Rolodex card was marked with the notation "inactive" only when a customer requested that his account be closed.

The only monthly statements from Roots' credit card sales in existence for any year prior to 1976 are from the months of November and December 1973, and January 1974.[9] Sales during these holiday season months typically account for 50 percent of Roots annual net profit, and 40 percent of its annual sales volume. Roots' credit card sales typically account for about 75 percent of its annual sales, but the number of cash sales during the holiday season is higher than during any other time of year. For the period of November 26, 1973 to December 22, 1973, purchases in the amount of $3,299 representing 1.58 percent of Roots' credit card sales for that month were attributable to customers from nine states outside of New Jersey. Sales to New Yorkers account for $2,556; more than two-thirds of that total. Sales to out-of-staters from December 24, 1973, to January 26, 1974, amounted to $4,544, or 1.70 percent of Roots' credit card sales for the period; purchases were made by residents of 15 states. New Yorkers purchased $1,216, and customers from Pennsylvania, Rhode Island, and Massachusetts account for the only other purchases in even modest dollar amounts.

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[8] The Rolodex contained only one card each for several states including Arkansas, Idaho, Mississippi, Montana, Nebraska, West Virginia, and South Dakota.

[9] For the period November 26 to December 23, 1983, only receipts from customers whose names began with the letters

An analysis of all slips available for the year 1976 shows sales to customers from 30 states and the District of Columbia in the amount of $72,820, accounting for 1.71 percent of the $4,250,000 total sales represented by these slips. Two hundred customers from New York made the most significant contribution to the total of out-of-state sales, accounting for 50 percent of the dollar amount of those sales for 1976. Fifty-five customers from Pennsylvania purchased merchandise worth $10,000. Residents from Florida, Connecticut, and Ohio each accounted for sales in amounts over $2,500.

Sales slips from 1977 show out-of-state sales in the amount of $198,175. Sales were made to customers in 43 states and the District of Columbia; purchases by

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"D" through "S" exist. All other receipts from prior to 1976 were destroyed by Roots in 1980, *see infra* note 11. The available receipts were analyzed by an accountant retained by Natural.

New Yorkers rose to $118.385 that year.[10] In contrast. total sales for 1977 amounted to $6.943.596. In 1979. Roots' total sales amounted to $8.601.904 with sales made to customers in 39 states and the District of Columbia. but the records only show out-of-state sales in the amount of $105.310. Figures on out-of-state sales for intervening and subsequent years were not available.[11]

2. *Roots' Advertising*

a. Local Advertising

Since the 1950s. Roots has advertised consistently and extensively in local New Jersey newspapers.[12] Roots' earliest local ads. dating from the mid-1950s. pictured merchandise sold at "Root's." a "Clothier[] to gentlemen and their sons."[13] Many of these ads also included the name of the merchandise manufacturer. The ads appeared at least weekly, sometimes more frequently. As Roots grew in New Jersey, it expanded the list of newspapers in which it advertised to include those with subscribers residing in the vicinity of its new stores.

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[10] Roots opened its store at Riverside Mall in 1977.

[11] A large quantity of Roots' sales records were destroyed sometime in 1978 or 1979. even though the dispute between the parties had begun at least by 1977 when Roots filed an action to cancel Natural's trademark registration. *See infra* part II. Natural does not contend that the destruction was deliberate. and it did not ask the district court to draw an adverse inference. However. to the extent that Roots is unable to make out a case because of the destruction of these records. it must suffer the consequences of its own actions. At all events. Roots did not attempt to tabulate the exact volume of out-of-state sales.

[12] The record does not concentrate on any earlier period. since it was not until the 1950s that Roots made an effort to upgrade its reputation.

[13] In many of these ads. up until the early 1970s. the ROOTS name appears as the possessive form of the surname Root. This is also true of the *New Yorker* ads. with the exception of the single ad which appeared in 1977. The apostrophe was dropped in 1968. Beginning in 1967. the local ads feature the "mirrored R" symbol. two 'R's back-to-back bearing a crown. This symbol appears in the *New Yorker* ads and on Roots brochures and credit cards.

Since 1969, Roots has advertised in eight or nine New Jersey papers yearly. In 1972, Roots began running some of the same ads featured in local papers in the New Jersey edition of the Sunday *New York Times.*[14] In 1973-1974, when Natural registered the ROOTS mark, Roots was advertising locally in *The Item* of Milburn and Short Hills, *The Summit Herald, The Independent Press, The Daily Register* of Red Bank, the *Asbury Park Evening Press*, the *Madison Eagle*, the *Chatham Courier*, and the Sunday New Jersey edition of the *New York Times*. From 1977-1983, Roots also advertised in the *New Jersey Monthly* magazine, 98 percent of whose subscribers reside in New Jersey. Some of the ads solicited phone orders or requests for Roots' Christmas Catalogue.

b. National Advertising

Roots has never advertised extensively in the national media. In the late 1940s it placed small ads in the *Christian Science Monitor* once or twice yearly, and then increased the frequency of these ads to once monthly in the 1950s. The ads from this latter period displayed merchandise which could be purchased at Roots, and often listed the name of the manufacturer. Roots did not advertise in any other national media outlet until 1959 when it began placing ads in the *New Yorker*. Roots has no separate budget for national advertising and allots only a very small portion of its advertising budget thereto, typically around three percent. During the representative years of 1978-1982, this amounted to national advertising expenditures of between $250,000 and $350,000 annually, and most of that allotment was spent in the production of a Roots catalogue.

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[14] The district court took judicial notice of the fact that the *New York Times* did not publish a New Jersey edition until that year, when the *Newark Evening News*, a paper in which Roots had previously advertised, ceased publication.

In an effort to acquaint the "upscale" customer in New York City and other urban and suburban areas with its name, Roots ran ads in the *New Yorker* during the years 1959-1962. These ads appeared between 12 and 13 times per year.[15] After a four year hiatus, Roots again ran ads in the *New Yorker* during the last four months of 1966.

In 1977, a single co-operative ad, partially paid for by Graham and Gunn, Ltd., appeared in the *New Yorker*, featuring the names of Roots and Graham and Gunn. Since 1977, the Roots name has appeared in the *New Yorker* only in manufacturers' ads. These ads, paid for by manufacturers, list from 20 to 50 retail stores, including Roots, where its merchandise may be purchased. Manufacturers' ads listing Roots as a retailer have also occasionally appeared in *Time*, *Gentleman's Quarterly* and the *Wall Street Journal*. At the time Natural registered its mark, however, Roots had not placed any advertisements in a national periodical, with the exception of the monthly ads in the *Christian Science Monitor*, for a period of seven years.

B. *Natural: Its Mark and Merchandise*

Natural Footwear Ltd., founded in Toronto, Canada, by two Americans Michael Budman and Don

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[15] Each *New Yorker* ad from the period covered one-sixth of a page and displayed some article of merchandise over the name Root's, the store location and the phrase "Clothiers to gentlemen and their sons." Mail orders were solicited in fine print at the top of the ad.

Green, began manufacturing a negative heel or "earth" shoe designed to appeal to the health oriented market early in 1973. Natural chose ROOTS as the trademark for its wares that same year. Natural filed applications to register the trademark ROOTS in Canada in May 1973, and in the United States in August 1973.[16] United States Trademark Registrations for the trade mark "ROOTS" and for the trademark "ROOTS NATURAL FOOTWEAR & Beaver Design"[17] were issued on October 15, 1974, and April 8, 1975.[18] The trademark ROOTS appears on Natural's entire product line which, by 1983, included not only shoes, but also leather goods and wearing apparel. Natural's shoes bear the ROOTS mark on the outer sole, and the beaver design with the ROOTS mark on the inside of the shoe.

Natural opened its first shoe store in Toronto in August 1973, and its second store in Montreal in December of that year. Natural began shipping shoes to the United States in December of 1973, and opened its first U.S. store in Berkeley, California, the following January.[19] During the first six months of 1974,

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[16] Prior to applying for registration, Natural hired an attorney to determine whether the mark was already in use. In its list of facts not in dispute, the district court stated that Natural learned of the use of the mark by Roots, "at least as early as" 1977, when Roots filed a cancellation petition.

[17] A beaver in a semi-circle was chosen to symbolize Natural's product and provide it with a Canadian identity.

[18] Because the registration of the mark was accomplished in 1974 and Roots initially filed a petition to cancel the registration with the United States Patent and Trademark Office ("PTO") in 1977, *see infra* note 25, the incontestability provision of the Lanham Act, which requires as a threshold matter that a trademark be uncontested for a period of five years, is not even arguably applicable. *See* 15 U.S.C. § 1065.

[19] In 1973, Budman and Green formed Century Importers through which all goods were shipped to Detroit.

Natural opened eight additional stores in the United States. These stores were called either "ROOTS" or "ROOTS Natural Footwear" and sold only ROOTS merchandise: earth shoes, T-shirts, and shoe care products. During the second half of 1974, Natural opened eight more stores in the United States. By the end of 1974, there were ROOTS or ROOTS Natural Footwear stores in Arizona, California, Colorado, Florida, Illinois, Michigan, New Mexico, New York, Oregon, and Washington. All stores which opened in 1974, with the exception of one in New York City run by Budman and Green, were franchise stores.[20]

In 1975, Natural opened an additional 29 shoe stores located throughout the United States. By the end of 1975, the peak year for Natural's shoe stores, 46 stores were doing business in 22 states. Ten of these stores were company stores run by Budman and Green; the remainder of the stores were run by franchise owners.[21]

In 1976 Natural's shoe stores began to close. By 1979, only 10 ROOTS Natural Footwear stores remained open in the United States, even though Natural had opened 10 stores in five states in 1976, two stores in 1977, and one store in 1978. An additional six stores remained open but had changed their names, and began to distribute products made by other manufacturers in addition to Natural's shoes. When its shoe stores began to close in 1976, Natural expanded its product line to include leather handbags and conventionally styled shoes and began distribution through retail department stores. Saks began selling handbags manufactured by Natural in 15 of its stores, including its branch in Springfield, New Jersey. In the

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[20] Natural's stores were either franchise stores or company stores owned by Budman and Green.

[21] In 1975 Natural also opened 10 new stores throughout Canada, one store in Germany, and one in the Netherlands.

Fall of 1977 Saks began selling conventionally styled shoes manufactured by Natural; Saks was joined by Nordstroms' and Bloomingdale's in 1978. In 1979, at Saks' suggestion, Natural created a line of clothing, including jackets, jeans, and shirts.

Natural's clothing sales in the United States were limited by a preliminary injunction entered by the district court in this case in December 1979, forbidding the sale of clothing manufactured by Natural bearing the trademark ROOTS. By 1983, Natural was devoting 40 percent of its manufacturing capacity to the production of wearing apparel, sold in Europe under the ROOTS label, and 60 percent to the production of shoes. Natural's shoes and shoe care products were being sold at retail department stores, including Saks, Macy's, and Bergdorf Goodman, and by 50 independent shoe stores.

1. *Geographic Extent and Volume of Natural's Sales*

In 1974, the year Natural opened its first 17 stores in the United States, wholesale sales were approximately $866,000.00 while retail sales were approximately $2.3 million. In 1975, Natural's banner year, wholesale sales reached a high of $3.7 million. The table below shows the geographic distribution of the 1975 sales.

State	*Sales*	*State*	*Sales*
Alabama	$ 46,584.50	Minnesota	$ 61,157.59
Arizona	91,501.74	Missouri	36,023.93
Arkansas	8,497.37	Nevada	93,413.48
California	743,993.05	New Mexico	73,166.10
Colorado	100,791.63	New York	240,608.87
Connecticut	17,085.46	Ohio	32,476.10
Florida	140,1.72	Oregon	156,308.44
Georgia	26,277.61	Pennsylvania	95,088.80
Illinois	85,790.48	Texas	245,691.46
Massachusetts	130,892.89	Washington	86,365.87
Michigan	423,555.04	Wisconsin	100,785.93

At that time Natural had six stores in California, four each in Florida and New York, three each in Illinois, Michigan, and Texas, and two each in Massachusetts, Oregon, and Pennsylvania. In each of the other states represented, one ROOTS Natural Footwear store was doing business.

From 1976, when its stores began to close, until 1982, sales generally declined, with some fluctuation. By 1978 Natural's sales had dropped to approximately $1.5 million. Sales climbed to $2 million in 1979, dropped again to approximately $1.5 million in 1980, and remained at about $1.5 million in 1981. Sales for 1982 were $1.9 million. Natural's total wholesale sales for the period 1973-1982 were approximately $18 million.

2. *Natural's Advertising*

Natural has advertised extensively and consistently in both local and national media since it began doing business in the United States. In 1974, when Natural entered the American footwear market, it hired the advertising firm of Burns and Cooper to produce newspaper ads which were mailed to franchise owners for publication in local newspapers. In 1975, Natural retained the firm of Lord, Geller, Frederico, Inc., to plan a national advertising campaign. For the period July 1975 to January 1976, Natural spent approximately $360,000 on television ads and on ads in five major newspapers and twelve periodicals with national circulation.[22] The advertising placed by Natural and Century was supplemented by franchise stores which spent five percent of gross annual sales, averaging $200,000 for each store, on advertising.[23] From 1975 to 1983, Natural continued to advertise in major newspapers, national magazines, and trade journals.[24] In 1977 Natural began to engage in co-operative advertising in regional and national newspapers and periodicals, with the department stores such as Saks and Macy's which sell its products.

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[22] The newspapers were the *New York Times, Atlanta Constitution, Village Voice, White Plains Reporter Dispatch*, and *New York Post*; periodicals included *People, National Lampoon, Cosmopolitan, New York Times Magazine, Popular Photography, Stereo Review, Tennis, Backpacker, Skiing*, and *Runner's World*.

II. *PROCEDURAL HISTORY*

In October 1979, after it had received indications from Roots that Roots intended to sue, Natural filed a complaint in the District Court for the District of New Jersey requesting a declaratory judgment regarding the validity of its federal trademark registrations as authorized by 15 U.S.C. § 1119 (1982). The complaint alleged unfair competition, infringement of a registered mark, and false designation of origin in violation of the Lanham Act, 15 U.S.C. § 1125(a) (1982). Natural sought a permanent injunction against further use of the mark ROOTS by Roots outside of New Jersey.[25]

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[23] Ten company stores in Arkansas, Alabama, California, Georgia, Massachusetts, New York, and Pennsylvania also spent $55,667 on advertising in 1975.

[24] Magazines in which Natural advertised included *Gentleman's Quarterly, Esquire, The New Yorker,* and *Interview.* Newspapers included the *San Francisco Chronicle,* the *Dallas Times,* the *New York Times, Chicago Tribune,* and *Detroit Free Press.* Natural also advertised in the trade journal, *Footwear News.* The franchise stores continued to spend five percent of their annual sales volume on advertising. Company stores in 15 states spent approximately $70,000 on advertising in 1976; company stores in 12 states spent an additional $36,000 in 1977.

[25] This litigation was foreshadowed by Roots' filing of a petition for cancellation of Natural's trademark registrations in the PTO on June 2, 1977. Upon consent of the parties, the cancellation proceeding was ordered suspended by the PTO pending the outcome of the present civil action.

Roots counterclaimed, alleging unfair competition, trademark infringement, and false designation of origin, and seeking a permanent injunction forbidding the use by Natural of the mark ROOTS on footwear and wearing apparel. Roots also sought a preliminary injunction forbidding Natural from expanding its use of the mark ROOTS to wearing apparel, pending trial.

In December 1979, after a brief hearing, including the submission of documentary evidence, the district court granted a nationwide preliminary injunction against the use by Natural of the mark ROOTS on wearing apparel. Natural appealed, and moved for a temporary modification of the injunction, limiting it to New Jersey and New York. Temporary modification of the injunction was granted by a motions panel of this Court on December 19, 1979, and the grant of the preliminary injunction, as modified, was affirmed by the motions panel on December 26, 1979. In April 1980, a merits panel vacated the temporary modification and affirmed the original nationwide preliminary injunction. *Natural Footwear Ltd. v. Hart, Schaffner & Marx*, No. 79-2819 (3d Cir. April 14, 1980) (judgment order). The matter then returned to the district court for final hearing.

In 1983, after three years of discovery, the matter became ripe for disposition. The parties filed cross-motions for partial summary judgment on the issue of the validity of Natural's trademark registrations. On August 13, 1983, the district court ruled in favor of Roots but did not order the PTO to cancel Natural's trademarks, because the ruling was only a partial disposition of issues later presented at trial. In December 1983, the district court adjudicated the remaining issues in favor of Roots. In findings of fact and conclusions of law pursuant to Fed. R. Civ. P. 52(a), it found that Roots had acquired a national reputation for its name and mark before Natural entered the market in 1973 and that confusion concerning the origin of goods bearing the mark ROOTS was likely to result. The court granted a permanent nationwide injunction forbidding use by Natural of the mark ROOTS in connection with the manufacture or sale of wearing apparel and footwear; ordered an accounting of Natural's profits from the second half of 1977 until such time as the mark ROOTS is eliminated from all goods Natural produces; and directed cancellation of Natural's federal trademark registrations. The court also concluded that it was not authorized to award attorneys' fees under 12 U.S.C. § 1117. Natural appeals, seeking reversal of the district court's judgment and an order enjoining Roots from the use of the mark ROOTS on wearing apparel and footwear. Roots cross-appeals on the attorney's fees question.

III. *RELATIVE RIGHTS IN THE ROOTS MARK*

A. *General Principles*

There is a single overarching issue in this case: what is the territorial extent of the right of each party to use the ROOTS mark. *See Weiner King, Inc. v. Wiener King Corp.*, 615 F.2d 512 (C.C.P.A. 1980).[26] Natural contends that the district court erred when it enjoined Natural's use of the ROOTS mark throughout the nation. Roots argues that the injunctive relief ordered by the district court was appropriate because Roots was the senior user of the mark and had achieved nationwide market penetration among the target group of purchasers.

In the venerable case of *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403 (1916), the Supreme Court laid down the basic principles governing the territorial rights of trademark holders under the common law. The Court held that the trademark of a prior user should be protected from infringement by a subsequent user of the same mark only in areas where the prior user has established a market for its goods:

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[26] The district court concluded that the trademarks are confusingly similar and that confusion in the marketplace is likely to result if both parties are permitted unrestricted use of the ROOTS mark. *See* Appendix at 939a. Neither side disputes this finding on appeal.

> Since it is the trade, and not the mark, that is to be protected, a trademark acknowledges no territorial boundaries of municipalities or states or nations, but extends to every market where the trader's goods have become known and identified by his use of the mark. But the mark, of itself, cannot travel to markets where there is no article to wear the badge and no trader to offer the article.

Id. at 417. Thus, the senior user of a common law mark may not be able to obtain relief against the junior user in an area where it has no established trade, and hence no reputation and no good will. We have more recently taken this approach in a case involving a nationally registered trademark. In *Holiday Inns of America, Inc. v. B & B Corp.*, 409 F.2d 614, 617 (3d Cir. 1969), we concluded that use and registration of a mark do not guarantee that injunctive relief will be available to protect the senior user in all areas of the country, as the marks must be "at large in the same market place and compete for the same customers."

With this understanding of the policies that underly the geographic protection of trademarks, we now consider in detail the rights of Natural and Roots, in regard to their claim and counterclaim for broad injunctive relief.

B. *The Rights Resulting from Federal Registration of the ROOTS Mark: Roots' Defense of Senior Use and the Propriety of the Nationwide Injunction on Roots' Putative Common Law Rights*

Natural originally brought suit in the district court to enforce the rights it believed it had gained by its 1973 registration of and use of the ROOTS mark. The rights accorded a holder of a registered federal trademark are, in fact, substantial. In *Burger King of Florida, Inc. v. Hoots*, 403 F.2d 904 (7th Cir. 1968), the court outlined these rights, stating that a federal registrant has the right to use the trademark in commerce "except to the extent that such use infringes what valid right the defendants have acquired by their continuous use of the same mark prior to plaintiffs' federal registration." *Id.* at 907. *Accord Armand's Subway, Inc. v. Doctor's Associates, Inc.*, 604 F.2d 849, 850 (4th Cir. 1979); *cf. In re Beatrice Foods Co.*, 429 F.2d 466, 472 (C.C.P.A. 1970) ("Rights of trademark ownership, for example, the right to enjoin another from use of the mark, must be based upon actual use and can be enforced only in areas of existing business influence . . . . [T]he Lanham Act did not alter this aspect of the prior law.").

As the *Hoots* court explained, the scope of federal trademark protection differs significantly from the scope of common law protection:

> Congress expanded the common law . . . by granting an exclusive right in commerce to federal registrants in areas where there has been no offsetting use of the mark. . . . Congress intended the Lanham Act to afford nation-wide protection to federally-registered marks, and that once the certificate has issued, no person can acquire any additional rights superior to those obtained by the federal registrant.

403 F.2d at 908. *See also Armand's Subway, Inc. v. Doctor's Associates, Inc.*, 604 F.2d 849, 849 (4th Cir. 1979) ("After the Lanham Act, nationwide protection was extended to registered marks, regardless of the area in which the registrant actually used the mark.

because under 15 U.S.C. [§] 1072 registration constituted constructive notice to competing users.").

Registration of a trademark, in addition to serving the interests of the registrant by providing constructive notice, serves the interests of other participants in the market place. Entrepreneurs, for example, who plan to promote and to sell a new product under a fanciful mark, should be able to rely on a search of the trademark registry and their own knowledge of whether the mark has been used so that what may be substantial expenditures of money promoting the mark will not be wasted. Consumers are also benefitted by the registration of national trademarks, because such registration helps to prevent confusion about the source of products sold under a trademark and to instill in consumers the confidence that inferior goods are not being passed off by use of a familiar trademark. In short, therefore, the benefits of prior registration under the Lanham Act are justified in light of the order such registration brings to the market place. *See Weiner King, Inc. v. Wiener King, Corp.*, 615 F.2d 512, 523-24 (C.C.P.A. 1980).

As our discussion indicates, Natural's federal registration does not necessarily establish a nationwide right to use the ROOTS mark on footwear, accessories, and clothing. Natural's rights under the Lanham Act depend, first, on the terms of its registration which establish as an initial matter the scope of protection of the mark. Second, as we discussed above, Natural as a federal registrant is still subject to the defense of a prior user of the mark who has established a market in specific areas notwithstanding that senior user's failure to register.

1. *The Scope of the Federal Registration*

The Lanham Act provides that the protection afforded by registration extends to "*the goods or* *services specified in the registration* subject to any conditions or limitations stated therein." 15 U.S.C. § 1115(a). The Second Circuit has concluded that, given this language, "even if a mark is registered, the presumptive right to use it extends only so far as the goods or services noted in the registration certificate." *Mushroom Makers, Inc. v. R.G. Barry Corp.*, 580 F.2d 44, 48 (2d Cir. 1978), *cert. denied*, 439 U.S. 1116 (1979); *see also Avon Shoe Co. v. David Crystal, Inc.*, 279 F.2d 607, 613 n.7 (2d Cir.), *cert. denied*, 364 U.S. 909 (1960).[27] The *Avon Shoe* court also stated in this regard that "incontestability under [section 1065] would carry a conclusive presumption of the plaintiff's exclusive right to use its mark only on shoes,"[28] when the registration indicated only that the trademark would identify shoes. *Id.* (dictum).

Unlike the Second Circuit, the Court of Customs and Patent Appeals has apparently decided that federal registration of a trademark may protect products that are not specifically identifed in the registration. In *Key Chemicals, Inc. v. Kelite Chemicals Corp.*, 464 F.2d 1040, 1043 (C.C.P.A. 1972), the court concluded that:

> a trademark owner cannot by normal expansion of its business extend the use of its trademark to goods not covered by its previous registration, *where the result would be* a likelihood of confusion caused by similarity of that mark to a mark already registered by a prior user for the same or similar goods.

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[27] The discussion of the scope of rights flowing from federal registration must not be read to apply as well to common law rights in a trademark. These latter rights are based on the actual use of a product in an area and, as we discuss *infra*, are not necessarily limited to the product originally identified by the trademark. Rather, protection from the date of the first use of the mark may extend to related products that are later sold under the common law mark.

[28] The doctrine of incontestability is discussed *supra* at note 18.

Id. (emphasis added). The court, however, did not consider the language of the Lanham Act or its underlying policies.

We conclude that the Second Circuit's approach is correct based on both the statutory language construed by that court as well as the purpose of the statute.[29] We have already explained how the Lanham Act is intended to order the use of trademarks in the market place. We believe that this purpose is best served by limiting the impact of a registered mark to only the specific terms of the registration so as to allow parties interested in marketing products with a new mark to rely as fully as possible on the registry. This rule, unlike the rule adopted in *Key Chemicals*, will appropriately encourage registrants who wish to receive the full scope of the Act's protection in regard to the new use of the mark to revise their registration once they begin to sell a new line of products under their registered mark. Additionally, we believe that the grant of a form of monopoly[30] should not be liberally construed. *See Scott Paper Co. v. Scott's Liquid Gold, Inc.*, 589 F.2d 1225, 1231 (3d Cir. 1978) ("'The right granted to the owner of a registered trademark is a monopoly and should not be extended unless the owner is clearly entitled thereto.'" (quoting *S.C. Johnson & Son, Inc. v. Johnson*, 266 F.2d 129, 136 (6th Cir.), *cert. denied*, 361 U.S. 820 (1959)).

We turn then to the scope of Natural's national trademark rights. The registration issued to Natural by the United States Patent & Trademark Office indicates that the ROOTS mark is to be used for "FOOTWEAR -- NAMELY, SHOES, SLIPPERS AND BOOTS." Because claims I and II of Natural's complaint seek relief based on the federal registration of the ROOTS mark, Natural is only entitled to gain relief pursuant to the Lanham Act in regard to its marketing of footwear.[31]

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[29] The Second Circuit's holding relied wholly on the language of the Act, *see Avon Shoe Co.*, 279 F.2d at 613 n.7. We believe, however, that its ruling is animated as well by the policy we discuss in text.

[30] *See* Standard Brands, Inc. v. Smidler, 151 F.2d 34, 38 (2d Cir. 1945) (Frank, J., concurring) ("I use the word 'monopoly' advisedly, because basic in the consideration of cases like this is the fact that judicial protection of any trade name necessarily involves a legalized monopoly. . . .").

2. *Prior Use of the Trademark by Roots; Propriety of the Nationwide Injunction*

As our discussion above indicated, the Lanham Act provides that a senior user of a trademark has a defense against a later good-faith federal registrant which "shall apply only for the area in which . . . continuous prior use is proved." 15 U.S.C. § 1115(b)(5). The extent to which Roots has a defense against Natural's use of the ROOTS mark outside of New Jersey is fiercely contested.[32] The district court concluded that by the time of Natural's trademark registrations, Roots had achieved a national reputation for its sales of quality clothing and footwear. The district court stated in this regard that:

> the evidence as a whole clearly and convincingly shows that Roots had established and continues to enjoy unique identification for the wearing apparel (including shoes) sold by it as a merchant, both as a tradename and as a trademark, mainly in New Jersey but throughout the United States as well, long before Natural's first shipment of shoes to California in late December, 1973. Roots is undoubtedly the senior user.

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[31] As we discuss later, Natural's trademark rights in accessories and clothing must be considered under the common law. *See also supra* note 27.

[32] Natural does not, however, challenge the right of Roots to use the ROOTS mark in New Jersey on footwear and clothing.

Appendix at 938a. Based on this senior use throughout the country, the district court enjoined Natural's use of the ROOTS trademark throughout the country and ordered a cancellation of its federal registrations.

Before reviewing the district court's decision regarding Roots' national reputation, it is important to recall our conclusion in *Scotts Liquid Gold* that, because awarding ownership of a mark gives the relevant company a monopoly over the use of that mark in the prescribed area, the party asserting ownership must make a showing of "clear entitle[ment]." 589 F.2d at 1231. Another court has held in similar terms that a party should be awarded ownership of a mark in a specific geographic area only when the party's mark has achieved market penetration that is "significant enough to pose the real likelihood of confusion among the consumers in that area." *Sweetarts v. Sunline, Inc.*, 380 F.2d 923, 929 (8th Cir. 1967), *quoted with approval in Sweetarts v. Sunline, Inc.*, 436 F.2d 705, 709 (8th Cir. 1971).

In the instant case, the district court based its conclusion that Roots had achieved a national reputation on (a) its evaluation of the growth of Roots' sales to out-of-state customers over the course of several years; (b) its conclusion that Roots' advertising was consistent with its status as a nationally known store serving individuals interested in quality clothing; and (c) its finding that Roots had "achiev[ed] sales of its goods, under its name and mark throughout the United States." Appendix at 938a.

The district court was correct in evaluating the extent of Roots' market penetration as of late 1973, the period in which Natural initially registered its mark. *See Scott Paper Co. v. Scott's Liquid Gold, Inc.*, 589 F.2d 1225, 1231-32 (3d Cir. .1978). We conclude, however, that the district court's decision about the extent of Roots' reputation cannot be sustained for three reasons. First, the court failed to consider Roots' market penetration in regard to specific market areas. This failure to scrutinize the extent of Roots' sales, advertising, and reputation on either a state-by-state or region-by-region basis is, we believe, inconsistent with the language of the Lanham Act, *see* 15 U.S.C. § 1115(b)(5) (defense of prior use applies "*only* for the area in which . . . continuous prior use is proved." (emphasis added)), as well as the proposition that a common law mark is to receive no greater protection than its reputation in any specific area warrants. *See generally Sweetarts v. Sunline, Inc.*, 380 F.2d 923 (8th Cir. 1967).

More significant than this error, however, was the district court's failure to assess Roots' market penetration on the basis of factors probative of such penetration. Although this court has not established a test for determining whether a party's reputation in a given state or region is sufficient to warrant injunctive relief for protection against the use of a confusingly similar mark in that area, two courts have developed tests that fully and accurately assess the extent of the mark's market penetration. The district court applied neither these tests nor anything comparable, and, in fact, failed in drawing its conclusion to consider the most important indicia of market penetration. Finally, under the correct test, the record simply will not support the district court's conclusion.

In the well-known case of *Sweetarts v. Sunline, Inc.*, 380 F.2d 923 (8th Cir. 1967), the court identified the following four factors as being most relevant to whether a mark has achieved the necessary quantum of market penetration in a given area: the senior user's dollar value of sales at the time the junior user enters the market; the number of customers of the senior user in the area compared to the area's total population; the senior user's relative and potential growth in sales; and the length of time since significant sales were achieved in the area. *Id.* at 929.

The Court of Customs and Patent Appeals in the equally well-known *Weiner King, Inc. v. Wiener King, Corp.*, 615 F.2d 512 (C.C.P.A. 1980) fixed upon five factors as relevant to assessing the market penetration of a trademark user. These factors were the following: the user's previous business activity in the area; previous business expansion in the area or lack thereof; dominance of contiguous areas; presently planned expansion; and, where applicable, possible market penetration by means of products brought in from other areas. *Id.* at 522 (adopting factors originally identified in *In re Beatrice Foods Co.*, 429 F.2d 466, 475 (C.C.P.A. 1970)).

We agree with the approach of the courts in *Sweetarts* and *Weiner King*[33] and believe that the following four factors should be considered to determine whether the market penetration of a trademark in an area is sufficient to warrant protection:[34] (1) the volume of sales of the trademarked product;[35] (2) the growth trends (both positive and negative) in the area;[36] (3) the number of persons actually purchasing the product in relation to the

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[33] *Weiner King* involved, as does this case, the question whether a party is entitled to use the defense under § 1115(b)(5) because it has senior rights in a given area to a trademark that has been registered by another user. *Sweetarts*, in contrast, involved the question of priority between two common law trademarks. We conclude that the *Sweetarts* factors are equally relevant when determining the defense to federal registration based upon prior use of the federally registered trademark in a specific geographic area. We therefore find its discussion to be useful in fashioning a test of market penetration that will apply in cases that involve either common law or federally registered trademarks.

[34] In the instant case, we consider Roots' market penetration on a state-by-state basis. We do not take this approach because we subscribe to Justice Holmes' theory of

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trademark appropriation announced in his concurring opinion in Hanover Star Milling Co. v. Metcalf, 240 U.S. 403, 426 (1916) (Holmes, J., concurring). We have already rejected the Holmes' theory of the territorial scope of a trademark. *See* Jacobs v. Iodent Chemical Co., 41 F.2d 637, 639-40 (3d Cir. 1930).

Our methodology in this case is also not reflective of our view that the area defined by state borders is most appropriate for evaluating the market penetration of the specific product. Thus, this case is unlike Wrist-Rocket M'g. Co. v. Saunders Archery Co., 578 F.2d 727, 732 (8th Cir. 1978), in which the court concluded that state borders defined the market area for a special sling shot "[b]ecause of the nature of the product and the channels of distribution utilized."

We are, rather, compelled to consider Roots' market penetration within the states, because the only evidence presented at trial is categorized according to the state responsible for the sales. Under optimal conditions, we would scrutinize the product's market penetration on the basis of natural trading areas that may or may not be coextensive with a state's borders. In fact, for most products, including traditional wearing apparel and footwear, the relevant geographic market will comprise only a relatively small portion of a state (*e.g.*, the Pittsburgh area) or of several states (*e.g.*, the Delaware Valley area). Unfortunately the evidence precludes any opportunity to conduct this more meaningful market analysis.

[35] Consideration of the volume of sales in a given area must, of course, account for the general cost of the trademarked product. Sales of $10,000 in a given area are likely to represent more significant market penetration in that area if the product is candy, than if the product is an automobile.

[36] An analysis of positive growth trends will account for any expansion planned within the subject area for the relevant time period.

potential number of customers; and (4) the amount of product advertising in the area. When we evaluate the district court's decision in regard to these factors, the insufficiency of its reasoning is readily apparent.

With regard to sales, we have concluded that a court needs to consider the volume of sales in any given area, as well as the growth trends those sales indicate. The district court's discussion of actual sales by Roots outside of New Jersey was largely limited to the comment that sales were made throughout the country, Appendix at 938a, and to the observation that "[w]hile the percentage of out-of-state sales is a fraction of store sales, the business is there, it is steady and it has grown." *Id.* at 935a.[37] The court was more convinced by the fact that Roots' sales to customers had tripled in five states and had doubled in another.[38] Such growth is, as we have stated, important to a complete analysis of market penetration. Without reference to the sales volume itself, however, the rate of growth in sales loses much of its probative power: A tripling in sales in a given area may be more properly attributable to new purchasing patterns for the same, very small group of buyers than to a marked increase in the products' market penetration. In short, the court's discussion of sales was not sufficiently detailed to support its broad conclusions.

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[37] The court's only mention of a dollar volume of sales for a specific area occurred in its statement that "sales to New York addresses more than tripled from $36,000. in 1976 to $118,000. in 1977." Appendix at 936a. We note that even these figures, although relevant in construing Roots' market penetration, are for a time period after which Natural had already registered and are, in fact, reasonably attributable to Roots' post-1973 opening of its store at Riverside Square in Hackensack, just across the river from New York City.

[38] The district court did not consider whether sales had declined in any states or whether some states had had no business activity or *de minimis* activity for significant periods of time. *See Sweetarts*, 380 F.2d at 929.

The district court did engage in a brief evaluation of Roots' customers. *See id.* at 937a. The court pointed out, for example, that the number of people interested in the high-quality clothing offered by Roots is small in relation to the total population of a given area. The court then concluded that Roots was actually well known among this small group of people. *See id.* at 937-38a. We agree with the district court that a proper evaluation of market penetration should normally include a comparison of the number of actual consumers of the trademarked product with the number of people in the market for the product, rather than with the full population of a given area. The district court was not able to engage in a detailed analysis of this type, however, because Roots, on whom the ultimate burden of proof rests, failed to present direct evidence identifying the relevant group of consumers. Additionally, the district court's analysis is insufficient because it did not discuss the other possible indicia of the number of Roots' customers, credit card listings and the mailing list, in arriving at its conclusion.

Neither the *Sweetarts* court nor the *Weiner King* court expressly stated that the advertising of a product in a given area should be considered when evaluating its market penetration. The extent of advertising is, however, implicit in *Weiner King*'s conclusion that "business activity" in an area has to be considered. 615 F.2d at 522. Because advertising may be very important to the reputation of a product in a given area, we conclude that advertising should be recognized as an independent factor for determining market penetration.[39] The district court's conclusions about Roots' advertising consisted largely of an evaluation of the testimony of an expert witness for Natural who had testified about the advertising budget necessary to support nationwide recognition of a product. *See* Appendix at 936-37a. Although the court's concerns about the testimony may well have been appropriate in light of the smaller group of consumers Roots hoped to reach through its advertising, the court did not undertake any independent evaluation of Roots' advertising.

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[39] At least one treatise writer agrees with this assessment of the importance of advertising. *See* 2 J.T. McCarthy.

Having determined that the district court's legal analysis of the extent of Roots' market penetration was inadequate, we turn to the question whether Roots had sufficient market penetration outside of New Jersey to justify the injunctive relief ordered by the district court.[40]

Our extensive discussion in part I.A., which reflects our review of the Roots' incomplete business records summarized and reproduced from submissions in the district court, *see* Appendix at 4750-55a,[41] indicates that we must apply the

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Trademarks and Unfair Competition § 26:6, at 213-14 (1973).

[40] The determination of market penetration in this case is complicated because virtually all of the relevant Roots' sales data dating from the time that Natural registered its mark have been destroyed. The only records remaining from the 1973 time period relate, as we discussed in the facts, to two months of the 1973 holiday season. Even these records, however, are woefully incomplete.

The lack of evidence makes a full analysis of Roots' market penetration particularly difficult because Roots opened a store very close to the New York market after 1973. *See supra* note 37. As Roots has the burden of proof on this issue, its failure to present probative evidence makes a decision in its favor less likely.

[41] The district court apparently credited fully this summary of Roots' records, as the court relied on the summary in arriving at its conclusions of law. *See* Appendix at 936a.

four-factor test in only two states, New York and Pennsylvania. Based on that discussion and review, we conclude that Roots' sales in each of the other states,[42] as evidenced by the number of customers and the value of gross sales, were either so small or so sporadic that market penetration was *de minimis*. By *de minimis*, we mean that Roots achieved neither gross sales of over $5,000 nor a total of over 50 customers for any of these states in at least two of the three years for which sales data were available.[43] When sales activity does not exceed even a minimum threshold level, a court may properly conclude that market penetration sufficient to support injunctive relief simply has not been demonstrated. *See Sweetarts*, 380 F.2d at 929. As these facts make clear, Roots has not made even the threshold showing of market penetration in any states except New York and Pennsylvania.

We must consider finally the extent of Roots' market penetration in New York and Pennsylvania. We look first to the extent of sales of the trademarked product(s) in each state. As our discussion of the facts indicates, two sets of Roots records are particularly important to our consideration. First, during the period November 26, 1973, to January 26, 1974, Roots' available records, which report sales to charge account customers, indicate that gross sales of $3772 were made to 39 customers from the state of New York. The records also indicate that gross sales of $561 were made to 8 customers from Pennsylvania. Considering the relative volume of business typically done during this holiday period,[44] the sales figures are singularly unimpressive.

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[42] We define states, for purposes of this opinion, to include the District of Columbia and the U.S. Virgin Islands.

[43] These years were calendar years 1976, 1977, and 1979. The records, therefore, are from years later than 1973-1974, the time period for which Roots' trademark rights are to be determined. *See supra* typescript op. at 31. Considering that the sales figures reflect inflation in the price of goods, and 1973-1979 was a period of high inflation, these records in fact are likely to *overstate* the market penetration of Roots as it stood two to four years earlier.

The other set of data, gross sales records from calendar years 1976, 1977, and 1979, is more difficult to evaluate. Sales to New York customers of approximately $36,000 were recorded in 1976 out of a total sales volume of $5.60 million (or .64 percent of the year's gross sales). Gross sales in 1976 to Pennsylvania customers totalled about $11,000 (or .20 percent of the year's gross sales). By 1979, however, sales were less than one-half of the 1976 level, or about $5,000.

The second factor focuses upon the product's growth trends in the area at the time of the registration of the trademark. Again, our ability to assess Roots' rights to the ROOTS mark is significantly curtailed because Roots has not come forward with evidence of out-of-state sales for the months or years preceding registration of the ROOTS mark in 1973. The post-1973 evidence of out-of-state sales does indicate, as the district court noted, *see supra* note 37 and accompanying text, that sales to New York customers expanded by a factor of three from 1976 to 1977. This substantial increase may reasonably be attributed to the opening of the Riverside square store. Sales to New York customers then decreased in 1979 by about 40 percent from the 1977 level.

We agree that evidence of trends of increased sales of a trademarked product in the years following registration of another, confusingly-similar trademark may in some cases support the conclusion that there was sufficient market penetration of the product in the area at the time of registration. Such a conclusion is unwarranted, however, when the evidence of increased sales does not show a trend that was in progress through the period of registration and is attributable to some factor, independent of the product's reputation, that was not present at the time of registration. In this case, we cannot be sure of the trends in sales at the time of registration, and at all events the increased sales several years after registration may result from the opening of a new store.[45] Thus, Roots has not presented convincing evidence of a consistent and growing reputation in New York at the time of Natural's federal registration.

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[44] These records of holiday sales, to the extent that they are complete, reflect a significant portion of the business done over the course of a year. *See supra* text following note 9.

The evidence of growth trends in Pennsylvania also suffers because it does not necessarily reflect Roots' market penetration at the time the trademark was registered. Moreover, even the growth rates presented by Roots fluctuate severely over the three years with the overall trend being less market penetration. In fact, in 1979 sales to Pennsylvanians were virtually at a *de minimis* level. Thus, the second factor does not support the conclusion that Roots had sufficient market penetration in Pennsylvania or in New York.

With regard to the third factor, the number of customers who are purchasing the trademarked product, several of Roots' records are useful. As we outlined in part I.A., Roots has both a computerized mailing list developed after Natural's registration and an older Rolodex file showing the names and addresses of its credit card holders for the period 1965 to 1975. The computerized mailing list includes 1,093 addresses from New York and 260 addresses from Pennsylvania. The Rolodex file of credit card holders includes about 293 addresses from New York and 146 addresses from Pennsylvania. But even the rather modest numbers of individuals included in these two lists, numbers that would standing alone be scant support for a conclusion that Roots had developed a reputation as a quality clothier throughout New York and Pennsylvania, tend to overstate the extent of Roots' reputation.

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[45] Based on this approach, Roots also would not be able to prove market penetration in Massachusetts based on Perry Root's statement at trial that Roots planned to open a store in Boston in the near future. Such evidence, although of relevance to the future expansion of Roots in that area, is unrelated to the question whether Roots had achieved sufficient market penetration in Massachusetts at the time Natural registered the trademark. As our preceding discussion indicates, Roots' market penetration in this area was, in fact, *de minimis*.

As we have indicated, the mailing list includes the names of credit card holders, of people who make purchases with cash or major credit cards, and of people who request that their names be added to the list. There is no attempt, however, to purge the list so that it includes only names of current customers. In fact, an address is deleted only when mail is returned. The Rolodex listing of addresses of credit card holders has these same limitations: The cards do not expire and a card is marked with an "inactive" notation only when a customer asked that the account be closed. In addition, the Rolodex records indicate that many of the out-of-state customers had formerly been residents of New Jersey. For example, 88 cards or 30 percent of the total number stating New York addresses also state a prior New Jersey address. For current Pennsylvania residents, 39 cards or 26 percent of the total number state a prior New Jersey address. Thus, these two lists may reflect to a substantial degree the mobility of former Roots customers, rather than Roots' market penetration.

Roots' incomplete records of sales also provide evidence of the extent to which Roots had customers in New York and Pennsylvania. During the 1973 holiday season, Roots sold goods to 39 credit card customers from New York and to 8 credit card customers from Pennsylvania. In calendar year 1976, Roots sold merchandise to 200 New Yorkers and 55 Pennsylvanians. These numbers hardly reflect substantial market penetration in either of the two states.

Roots explains that these rather low figures still indicate a sufficient level of market penetration because it intends to serve only an "up-scale" clientele interested in quality clothing, and the numbers therefore indicate that its reputation has brought these discerning purchasers to its stores. There may be some support for this theory. Roots, however, did not present in this litigation any direct evidence to identify either the size of the relevant market or to indicate the extent to which Roots' reputation was known within that market. In sum, even if we concede the force of Roots' argument, it simply has not met the burden of demonstrating that it has a significant clientele in any area outside of New Jersey.

Finally, we must consider the amount of advertising conducted by Roots in New York and Pennsylvania. The record concerning Roots' advertising efforts is well developed, and the parties dispute with substantial vigor the question whether, in fact, Roots' advertising is national in scope. There is no dispute that prior to 1973 Roots advertised periodically in the *New Yorker* and the *Christian Science Monitor.* For the seven years immediately before Natural's registration, however, Roots' only national advertising was once monthly in the *Christian Science Monitor.*[46] The predominant focus of Roots' advertising was its local northern New Jersey market. Thus, Roots advertised in newspapers that were intended to serve local communities, such as *The Item* of Milburn and Short Hills, *The Summit Herald*, and the *Chatham Courier*. Significantly, although Roots advertised in the Sunday *New York Times*, the ads were placed in only the New Jersey edition. Even the catalogues offered by Roots evidence an overriding concern with local markets. As we have outlined, during the period 1956-1983, the catalogues did not make reference to phone or mail orders. In only two years, 1960 and 1979, did the catalogues actually contain mail order forms.

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[46] Roots' advertising history is detailed *supra* in part I.A.2.

Although the type of advertising and promotion undertaken by Roots is not necessarily inconsistent with a reputation outside of the local areas of the Roots stores, such advertising certainly does not compel a conclusion that Roots had become well known among quality-clothing consumers in Pennsylvania and New York. With this relatively low-level emphasis on national advertising, one might have expected Roots to introduce consumer surveys at trial to document that its pre-1973 advertisements could be expected to reach and inform its target audience. Notwithstanding its burden of proof, Roots presented no such evidence.

Having considered the four factors, we believe that only one conclusion is possible: Roots has not demonstrated sufficient market penetration in either New York or Pennsylvania to justify a conclusion that it has common law trademark rights in those two areas.[47] We are persuaded in particular by the available evidence of Roots' sales, which indicates that, although Roots' business in the two states was not necessarily *de minimis* at the time Natural registered its mark, it was also not substantial by any measure. In light of such a low volume of sales, Roots had to come forward with particularly persuasive evidence as to each of the final three factors. However, as we have discussed, Roots failed even to come close to making the necessary showing. Therefore, on this record, the nationwide injunction in favor of Roots' use of the ROOTS trademark cannot stand and the permanent injunction must be vacated.[48]

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[47] In light of this conclusion, we need not consider whether Roots has demonstrated secondary meaning for its name.

Our conclusion concerning Roots' failure to prove sufficient market penetration outside of New Jersey is consistent with the expert testimony at trial. Natural offered testimony from Drs. Henry Assael,[49] an expert on consumer behavior in marketing, and Steven Osterweis,[50] a retail merchandising expert with years of practical experience. Both experts carefully reviewed the evidence as to the nature of Roots' operation, its advertising efforts, and its sales outside New Jersey, and independently concluded that Roots is a local retail clothing operation which has made no serious effort to extend its business beyond its New Jersey trade area and did not have a national reputation. Roots did not offer evidence to counter the opinions of these experts.[51]

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[48] Roots market records do not distinguish between sales of footwear and sales of clothing. Because its total market penetration outside of New Jersey was inadequate to protect Roots as the senior user at the time of Natural's registration even if all sales had been attributable to footwear, however, Roots failed to meet its burden of proof on its defense against the federal registrant. We therefore need not decide whether, assuming that there was sufficient market penetration with respect to apparel, the common law expansion doctrine, *see infra* note 61 and accompanying text, would operate on this record to provide Roots with a defense to Natural's federal registration with respect to footwear.

[49] Dr. Assael is a Professor and Chairman of the Marketing Department of New York University. His degrees include an MBA from Wharton/University of Pennsylvania and a Doctorate in Business Administration from Columbia. He authored the text *Consumer Behavior in Marketing Action*, a leading work utilized by 120 universities and colleges.

[50] Mr. Osterweis, after receiving an MBA from Harvard, was employed by Gimbel Brothers for some 18 years in various capacities ranging from assistant manager of the New York store to chief executive officer of the Pittsburgh Division. He had experience in all aspects of retail store management. Thereafter, he was president and chairman of Associated Merchandising Corporation, a cooperative owned by some 30 retail stores. In 1976, he became the head of the Institute of Merchandising at New York University.

3. *Relief for Natural Based on Federal Registration of the Trademark on Footwear*

By reason of its registration of the ROOTS mark, Natural gained the substantial protection afforded by the Lanham Act. For reasons explained above, this protection extends only to the products described in the registration and to areas where there is no senior user with sufficient market penetration. We conclude as a matter of law that Natural's sale of footwear is protected by the Lanham Act in all states except New Jersey, *see supra* note 32. We, therefore, will reverse that portion of the district court's order directing the PTO to cancel the registrations of the ROOTS mark and will order that the registrations be reinstated. *See* Appendix at 943a. We also will vacate as to all states outside of New Jersey the portion of the district court's order permanently enjoining Natural from using the ROOTS mark.

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[51] In contrast, to his testimony about Roots, Osterweis also testified that by mid-1976 Natural had acquired a significant reputation for its ROOTS trademark in the major United States markets as evidenced by its sales history and geographic breakdowns, the geographic spread of Natural's company and franchise stores, and the nature, extent and geographic reach of the advertising done by Natural, Century, and the store operations. Mr. Osterweis further testified that Natural had defined for itself a specific market segment, the "comfort" footwear market, and had identified its merchandise with its ROOTS trademark displayed on the shoe boxes, sock linings, and shoe soles, as well as on its non-shoe products.

It also follows from our extensive discussion of the facts relating to Natural's mark in part I.B. that Natural may be entitled to substantial injunctive relief: we must consider finally the extent of the relief to which it is entitled. Natural has sought injunctive relief pursuant only to its rights under the Lanham Act.[52] As an initial matter, we have held that the Lanham Act protects Natural's use of the trademark only on footwear products. In *Holiday Inns of America, Inc. v. B & B Corp.*, 409 F.2d 614 (3d Cir. 1969), we discussed the extent to which *injunctive relief* is available to protect the holder of a registered trademark. We concluded that Holiday Inn was not entitled to enjoin the use in the U.S. Virgin Islands of a federally registered mark by a junior user, even though we decided that Holiday had "superior rights to the trade or service mark . . . and that the borrowed use was improper." *Id.* at 618. We also outlined the considerations that should determine the scope of injunctive relief to be accorded a federal registrant:

> We must protect that which is protectable, but, in so doing, we must limit the use of injunctive relief to situations where it is necessary to prevent immediate and irreparable injury. The dramatic and drastic power of injunctive force may be unleashed only against conditions generating a presently existing actual threat; it may not be used simply to eliminate a possibility of a remote future injury, or a future invasion of rights, be those rights protected by statute or by the common law.

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[52] Natural has not, for example, asserted any rights to its mark under the common law.

Id. In *Holiday Inns*, the court did not enjoin the junior user's use because there was no present likelihood of confusion regarding the use of the trademark in the Virgin Islands market area. Holiday Inns had no present plans to build a hotel in the Virgin Islands[53] and, in the isolated geographic setting, a likelihood of confusion would exist only at the time of actual expansion into the area by the federal registrant. *Id.*

The district court has not found the facts that are necessary to our fashioning an injunction under the directive of *Holiday Inns*. We will therefore have to remand the case to the district court with direction to take evidence and to fashion relief in favor of Natural based on its present use of the ROOTS trademark on footwear in accordance with this opinion.[54] As we have outlined in the facts, Natural has done substantial business in many areas of the country so that injunctive relief in its favor is likely to be of wide scope.

C. *The Post-1973 Common Law Rights to Use the ROOTS Mark on Clothing*

We have concluded that Natural's use of the ROOTS trademark on footwear is protected because of its federal registration. We have not yet considered *in*

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[53] The court did state in this regard that Holiday would be able to gain injunctive relief "upon a showing that Holiday actually has begun the development or construction of a motel in the U.S. Virgin Islands." 409 F.2d at 619.

[54] The district court should recognize that the *Holiday Inns* court was particularly reticent about enjoining the defendant's use in the Virgin Islands because that area is uniquely isolated from other states. Such isolation is not at issue as to the continental United States, and so the injunction in favor of Natural must be extensive enough at least in areas "to which one arrives [not] by ship or plane [but] by turnpike," *id.* at 618, to protect Natural's rights as a federal registrant of the trademark.

terms the extent of Roots' common law rights to use the ROOTS trademark on clothing.

In part III.B., we determined that by the time of Natural's federal registration of the trademark, Roots had not gained common law rights in the ROOTS trademark in *any* area outside of New Jersey.[55] Thus, if Roots has any common law rights to the use of the trademark on clothing, those rights must result from market activity outside of New Jersey in the post-1973 period.[56] We consider now this possible basis for common law rights.[57]

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[55] *See supra* note 33 (explaining that the same general approach to market penetration is used when determining trademark priorities under both the common law and the Lanham Act).

[56] As we have explained, Roots' rights in relation to Natural's federal trademark rights in the ROOTS trademark were determined as of the time Natural registered. We considered all of the record evidence that was relevant to the extent of Roots' market penetration in arriving at this determination.

[57] To resolve these rights conclusively may require a choice of law inquiry, because common law trademark rights may be protected by both state and federal law. Of this putative choice of law problem in the trademarks context, Judge Clark has commented that "a more academic issue can hardly be conceived," and that resolution of the issue may not make "any difference in ultimate result." Maternally Yours v. Your Maternity Shop, 234 F.2d 538, 545 (2d Cir. 1956) (Clark, J., concurring), *quoted in* 2 J.T. McCarthy, *Trademarks and Unfair Competition* § 32:13, at 457 (1973). *Cf.* Campbell Soup Co. v. Armour & Co., 175 F.2d 795, 796 (3d Cir.) (application of rule that "[a] case which involved trademark infringement only, without reference to the [Lanham Act], is governed by state law" is "bewilderingly complicated"), *cert. denied*, 338 U.S. 847 (1949). *But cf.* L'Aiglon Apparel, Inc. v. Lana Lobell, Inc., 214 F.2d 649, 651 (3d Cir. 1954) (suggesting that the Lanham Act creates a federal tort of false representation of goods in commerce). The parties have neither briefed nor argued this particular question, and we leave it for the district court's resolution in the first instance.

We have already reviewed the post-1973 evidence presented by Roots, and we concluded that only in the states of New York and Pennsylvania did Roots have even a colorable claim to trademark rights.[58] Any such rights would, of course, be based in large part on Roots' sales records from 1977 and 1979, with the case for sufficient market penetration in Pennsylvania being extremely doubtful at best and in New York being limited in all likelihood to the New York City metropolitan area. However, we are unable to determine on the present record whether Roots is entitled to common law protection in these areas for two reasons.

First, whether Roots is entitled to a common law trademark on clothing in the areas based on market activity in the 1977-1979 period will depend on whether Roots is the prior user of the trademark in the particular market at that time. Because Roots sought an injunction forbidding Natural's use of the ROOTS mark on wearing apparel, Roots had the burden to show it was the senior user and had achieved a common law trademark with respect to wearing apparel. On the record in this case, however, Roots has not clearly demonstrated that it was the senior user of the trademark.

The record indicates that in October 1974 a store selling Natural's footwear opened in New York City and three other such stores opened in the New York

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Because we do not address specific aspects of state law protection of trademark rights, we will not discuss the doctrine of natural expansion. *See generally* J.T. McCarthy, *supra*, § 26:8. This doctrine may affect the determination of common law rights in this case by giving Roots some rights in nearby markets notwithstanding a lack of market penetration in them. Roots' trademark rights may also depend on state law regarding secondary meaning. Finally, state law may have some effect on the specific application of the test of market penetration.

[58] *See supra* part III.B.2.

metropolitan area in 1975.[59] Stores selling Natural's footwear also opened in 1975 in Pittsburgh (March) and Philadelphia (September). Sales in New York amounted to about $57,000 in 1974, and $241,000 in 1975. Sales in Pennsylvania in 1975 totalled about $95,000.

These sales figures are significantly higher than the 1977-1979 sales reported by Roots for the two states and may support, along with data on advertising, sales growth, and relative number of customers, the contention that Natural had gained common law trademark protection for its use of the ROOTS mark on footwear in the New York, Philadelphia, and Pittsburgh metropolitan areas by the end of 1975.[60] If these common law rights in fact existed, they would be critical because of the principle that once one has established a *common law* trademark in a product, the prior use of that trademark will apply as well to the use of the same trademark on related products in ascertaining priority of use.[61] *See J.C. Penney Co. v. Security Tire & Rubber Co.*, 382 F. Supp. 1342 (E.D. Va. 1974); *May Department Stores Co. v. Prince*, 200 U.S.P.Q. 803

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[59] A store in White Plains opened in February, a store in Greenwich Village opened in July, and a store in Armonk opened in October.

[60] Such protection would, of course, supplement the rights Natural gained by federal registration of the trademark on footwear.

[61] This rule, which essentially allows the later use of a trademark on a related product to relate back to the first use of the trademark, is significantly different from the rule defining the scope of protection resulting from registration of a federal trademark. See supra part III.B.2. This difference is reasonably attributed to the fact that common law rights may only be gained through use of a specific trademark in a specific area, while federal trademark protection is based in part on the constructive notice function of the terms of the federal registration.

(Trademark Trial & Appeal Board 1978). Thus, if Natural had established its common law rights in footwear by at least the beginning of 1976 in the three local markets, Natural's subsequent sale of clothing under the ROOTS mark in those areas might be protected as well. Natural's sales of clothing began in 1979, although it is not clear whether such sales were made in all three metropolitan areas.

Even with this understanding of the common law priorities, we are unable to resolve finally the parties' relative rights to the trademark on clothing because the record is insufficient in two respects: (1) Roots' sales activities in the respective markets for 1975 were not presented, so that we cannot determine whether Roots had any common law rights in these areas before Natural's original entry into the markets; and (2) the record does not indicate whether clothing was sold in either the Philadelphia or Pittsburgh markets by Natural under the ROOTS trademark. We therefore are unable to adjudicate properly the common law priorities in the different areas.[62]

The other major reason why we conclude that it is necessary to remand the case to the district court is that we do not have sufficient evidence to evaluate the scope of injunctive relief. We would be very hesitant to declare that either party has an exclusive common law right to the ROOTS trademark on clothing throughout either Pennsylvania or New York or any discrete portion(s) thereof. When the district court determines on remand that either Natural or Roots holds the prior right to the trademark in a given area, the court will have to determine with as much specificity as possible the scope of protection to be accorded under an injunction. In deciding on relief, the burden should be on the party with prior rights to prove the scope of its protected market.[63]

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[62] These priorities may also be affected by the doctrines of natural expansion and secondary meaning. *See supra* note 57.

D. *Conclusion*

In sum, we have concluded that the nationwide injunction entered in favor of Roots must be vacated because it is totally without support in the record under the appropriate legal standards. We have also determined that Natural is entitled to substantial injunctive relief outside of New Jersey to protect its federal trademark right in the use of ROOTS on footwear. The rights of the parties to use the ROOTS trademark on clothing and other apparel outside of New Jersey, however, is a question that cannot be resolved based on the present record. The district court will have to consider this specific question on remand.

IV. *THE ACCOUNTING FOR PROFITS*

Natural challenges the district court's decision to award "an accounting for the profits of Natural derived from the sale of goods in the United States under the mark 'ROOTS.'" Appendix at 943a. Roots argued that the relief was appropriate because Natural had earned profits at Roots' expense by, in effect, palming off its goods under the name of a prominent and respected clothier.

In view of our conclusion that Roots has proved no trademark rights outside of New Jersey, the district court's order requiring Natural to render an accounting of its profits will be vacated. Since this issue is "inextricably bound" to the issues we have reviewed, we have jurisdiction, notwithstanding the district court's failure to fix the amount of the award. *Kershner v. Mazurkiewicz*, 670 F.2d 440, 449 (3d Cir. 1982) (in banc).

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[63] This decision about the scope of injunctive relief may also be affected by the decision about which state law applies to the case. This is because a state may have adopted the Holmes' view about the extent of trademark protection, *see supra* note 34, and injunctive relief covering less than the entire state may not be permissible.

The portion of the accounting order that relates to New Jersey stands on a different ground, because it is not inextricably bound to the issues on review. Natural has conceded in this appeal that Roots has the right of a common law trademark holder in New Jersey, *see supra* note 32, and the propriety of an accounting depends upon whether Natural's use was in good faith and whether it was palming off in New Jersey,[64] issues we have not considered. Thus, we have no appellate jurisdiction as to that portion of the accounting order and thus express no view as to whether the district court was correct in ordering Natural to account to Roots for profits earned from sales in New Jersey.[65] We note in passing, however, that there was an absence of specific findings on these subjects.

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[64] The record indicates that Natural's products were sold in New Jersey under the ROOTS mark in at least one Saks store. *See supra* typescript op. at 17.

[65] Judge Fullam, noting *inter alia* that we are reviewing a single order, believes that the accounting order covering New Jersey is inextricably bound to our review of the nationwide injunction. He would therefore hold that we also have jurisdiction over that portion of the accounting order and would vacate it and remand for further proceedings so as to determine whether Natural should be required to render an accounting of its sales in New Jersey. Judge Fullam notes that the validity of such a limited accounting order would depend upon whether Natural's use of its mark in New Jersey occurred in good faith, and whether Natural was palming off its products in New Jersey and observes that the absence of specific findings on these subjects precludes meaningful appellate review at this juncture.

V. *ATTORNEYS FEES*

Roots appeals from the portion of the district court order denying its request for an award of attorneys fees pursuant to 11 U.S.C. § 1117. Roots contends that the district court was in error when it denied the award of fees on the ground that the "authority of § 1117 extends only to a case where the infringed mark is registered." Appendix at 941a.

We conclude that there is no need to address this issue. The Lanham Act states that, "[t]he court in exceptional cases may award reasonable attorneys' fees *to the prevailing party*." 11 U.S.C. § 1117 (1982)(emphasis added). Given our disposition of the various issues raised in this appeal, we hold that Roots is not a prevailing party in this litigation and is not eligible for attorneys fees.

VI. *CONCLUSION*

In sum: (1) the nationwide, permanent injunction prohibiting Natural's use of the ROOTS mark will be vacated as to all states except New Jersey; (2) the decision to direct the PTO to cancel the registrations of the ROOTS mark will be reversed and reinstatement of the registrations will be ordered; (3) the decision to order an accounting by Natural of profits will be reversed as to profits earned in all states except New Jersey;[66] and (4) the decision denying an award of attorneys' fees to Roots will be affirmed. We will also dismiss the appeal of the decision to order an accounting by Natural of profits earned in New Jersey.

Finally, we will remand the case to the district court for further proceedings in accordance with this opinion so that an appropriate injunction may be entered to protect Natural's federally registered ROOTS trademark on footwear, and so that the district court may consider the common law trademark rights of the parties to the use of the ROOTS trademark on clothing and other apparel.

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[66] We do not approve the accounting as to New Jersey. We simply hold that we have no jurisdiction to review the question.

Costs will be taxed against Roots.

A True Copy:

Teste:

Clerk of the United States Court of Appeals
for the Third Circuit

United States Court of Appeals

FOR THE THIRD CIRCUIT

Nos. 83-5883 & 84-5002

NATURAL FOOTWEAR LIMITED, A CORPORATION OF THE PROVINCE OF ONTARIO CANADA,

v.

HART, SCHAFFNER & MARX, A NEW YORK CORPORATION, AND ROOTS, INC., A NEW JERSEY CORPORATION,

ROOTS, INC., A NEW JERSEY CORPORATION,

Counterclaimant

v.

DON GREEN & MICHAEL BUDMAN, ET AL.,

Counterdefendants

SUR PETITION FOR REHEARING

Present: ALDISERT, *Chief Judge*, SEITZ, ADAMS, GIBBONS, HUNTER, WEIS, GARTH, HIGGINBOTHAM, SLOVITER, BECKER, STAPLETON, MANSMANN, *Circuit Judges*, and FULLAM, *District Judge*[*]

The petition for rehearing filed by Hart, Schaffner & Marx and Roots, Inc., in the above-entitled case having been submitted to the judges who participated in the decision of this court and to all the other available circuit judges of the circuit in regular active service, and no judge who concurred in the decision having asked for rehearing, and a majority of the circuit judges of the circuit in regular active service not having voted for rehearing by the court in banc, the petition for rehearing is denied.

By the Court,

/s/ EDWARD R. BECKER

Judge

Dated: MAY 30, 1985

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[*] As to panel rehearing only

UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

NO. 83-5883

NATURAL FOOTWEAR LIMITED,
A Corporation of the Province
of Ontario Canada,

v.

HART, SCHAFFNER & MARX, a New York
Corporation, and ROOTS, INC.,
a New Jersey Corporation,

ROOTS, INC., A New Jersey Corporation,

Counterclaimant

v.

DON GREEN and MICHAEL BUDMAN,
Individuals, and NATURAL FOOTWEAR
LIMITED, a Corporation of the
Province of Ontario, Canada,

Counterdefendants

NATURAL FOOTWEAR LIMITED, DON GREEN,
and MICHAEL BUDMAN,
Plaintiff and Counterclaim Defendants,

Appellants

NO. 84-5002

NATURAL FOOTWEAR LIMITED,
A Corporation of the Province
of Ontario Canada,

v.

HART, SCHAFFNER & MARX, a New York
Corporation, and ROOTS, INC.,
a New Jersey Corporation,

ROOTS, INC., A New Jersey Corporation,

Counterclaimant

v.

DON GREEN and MICHAEL BUDMAN,
Individuals, and NATURAL FOOTWEAR
LIMITED, a Corporation of the
Province of Ontario, Canada,

Counterdefendants

HART, SCHAFFNER & MARX and
Defendant-Counterclaimant ROOTS, INC.,

Appellants

On Appeal from the United States
District Court for the
District of New Jersey
(D.C. Civil No. 79-2966)

Argued July 20, 1984

Before: SLOVITER and BECKER, *Circuit Judges*
and FULLAM, *District Judge**

(Filed April 19, 1985)

---

* Honorable John P. Fullam, United States District Judge for the Eastern District of Pennsylvania, sitting by designation.

ORDER AMENDING OPINION

It is hereby ORDERED that the panel opinion filed April 19, 1985, be amended as follows:

1. On page 13 of the slip opinion, second full paragraph, line 5, the sentence beginning "These ads" should be deleted and the following inserted:

> These ads, paid for by manufacturers, indicate where their merchandise may be purchased. One manufacturer listed in its ads only Roots as a retail outlet for its product, although these ads typically listed Roots along with several other stores.

2. On page 39 of the slip opinion, line 8, insert the words "over one-half of" before the words "the catalogues." The sentence should therefore read:

> As we have outlined, during the period 1956-1983, over one-half of the catalogues did not make reference to phone or mail orders.

BY THE COURT:

Edward R. Becker

Circuit Judge

DATED: May 31, 1985

A True Copy:

Teste:

Clerk of the United States Court of Appeals for the Third Circuit

UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

NO. 83-5883

NATURAL FOOTWEAR LIMITED,
A Corporation of the Province
of Ontario Canada,

v.

HART, SCHAFFNER & MARX, a New York
Corporation, and ROOTS, INC., a New Jersey
Corporation,

ROOTS, INC., A New Jersey Corporation,

Counterclaimant

v.

DON GREEN and MICHAEL BUDMAN, Individuals,
and NATURAL FOOTWEAR LIMITED, a Corporation
of the Province of Ontario, Canada,

Counterdefendants

NATURAL FOOTWEAR LIMITED, DON GREEN, and
MICHAEL BUDMAN, Plaintiff and Counterclaim
Defendants,

Appellants

NO. 84-5002

NATURAL FOOTWEAR LIMITED,
A Corporation of the Province
of Ontario Canada,

v.

HART, SCHAFFNER & MARX, a New York
Corporation, and ROOTS, INC., a New Jersey
Corporation,

ROOTS, INC., A New Jersey Corporation,

Counterclaimant

v.

DON GREEN and MICHAEL BUDMAN, Individuals,
and NATURAL FOOTWEAR LIMITED, a Corporation
of the Province of Ontario, Canada,

Counterdefendants

HART, SCHAFFNER & MARX and
Defendant-Counterclaimant ROOTS, INC.,

Appellants

On Appeal from the United States District Court
for the District of New Jersey
(D.C. Civil No. 79-2966)

Argued July 20, 1984

Before: SLOVITER and BECKER, *Circuit Judges*
and FULLAM, *District Judge**

(Filed April 19, 1985)

ORDER AMENDING OPINION

It is hereby ORDERED that the panel opinion filed April 19, 1985, be amended as follows:

---

* Honorable John P. Fullam, United States District Judge for the Eastern District of Pennsylvania, sitting by designation.

On page 25 of the slip opinion, first full paragraph, line 14, delete the words "revise their registration" and insert the following: "file a new application covering the new products and making reference to the earlier registration . . ." Thus, the sentence beginning on line 10 should read:

> This rule, unlike the rule adopted in *Key Chemicals*, will appropriately encourage registrants who wish to receive the full scope of the Act's protection in regard to the new use of the mark to file a new application covering the new products and making reference to the earlier registration once they begin to sell a new line of products under their registered mark.

BY THE COURT:

Edward R. Becker
Circuit Judge

DATED: June 27, 1985

A True Copy:

Teste:

Clerk of the United States Court of Appeals
for the Third Circuit

No. 85-340 (3)

Supreme Court, U.S.
FILED
SEP 27 1985
JOSEPH F. SPANIOL, JR
CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1985

HART SCHAFFNER & MARK and ROOTS, INC.,
Petitioners,

vs.

NATURAL FOOTWEAR LIMITED, DON GREEN and MICHAEL BUDMAN,
Respondents.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Third Circuit

RESPONDENTS' BRIEF IN OPPOSITION

BEST AVAILABLE COPY

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Counter-Statement of Questions Presented

1. Whether the Court of Appeals correctly applied well-settled principles of trademark law in holding that petitioners, who operated a local northern New Jersey retail clothing business with only *de minimis* business activity outside New Jersey, (a) were not entitled to a nationwide injunction to protect their unregistered trademark, and (b) were not entitled to divest respondents of their Principal Register trademark registrations.

2. Whether the Court of Appeals so far departed from the accepted and usual course of judicial proceedings as to require this Court's supervision when it reversed the nationwide injunction in favor of petitioners where (a) the district court's findings on the record as a whole were implausible and (b) where the district court failed to apply the correct legal principles.

Designation of Corporate Relationships

Pursuant to Rule 28.1 of the Rules of the Court, Respondents submit the following statement: Natural Footwear Limited is a wholly-owned subsidiary of Monway Developments, Limited, a Canadian corporation. Natural Footwear Limited has no non-wholly-owned subsidiaries.

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2. The Court of Appeals did not impermissibly engage in appellate fact finding; rather, that court simply performed its duty to set aside findings that were clearly erroneous and remanded the case to the district court to make additional findings of fact under the correct legal standards, which were not employed by the trial court 18

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No. 85-340

IN THE

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OCTOBER TERM, 1985

HART SCHAFFNER & MARX and ROOTS, INC.,
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vs.

NATURAL FOOTWEAR LIMITED, DON GREEN
AND MICHAEL BUDMAN,
Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Third Circuit

RESPONDENTS' BRIEF IN OPPOSITION

By its Opinion and Judgment (A-95 to A-149) rendered on April 19, 1985, reported at 760 F.2d 1383 (3d Cir. 1985), the United States Court of Appeals for the Third Circuit unanimously reversed a decision and judgment by the United States District Court for the District of New Jersey, reported at 579 F. Supp. 543 (D. N.J. 1983), which the appellate court expressly found to be "without basis in fact or law," a "clear abuse of discretion" and "completely unjustified." (A-96).

Counter-Statement of the Case

The decisions below addressed the relative rights to the trademark ROOTS of respondent Natural Footwear Limited ("Natural"), a Toronto based manufacturer of footwear and other wearing apparel and the owner of both Canadian and United States Trademark Registration for ROOTS and ROOTS NATURAL FOOTWEAR,[1] and petitioner Roots, Inc. ("Roots"), a local northern New Jersey retail clothing operation which claims nationwide rights under the common law to use its unregistered mark.

The Third Circuit reversed the "Final Judgment" as entered by the trial court insofar as that judgment (1) improperly enjoined Natural throughout the United States from employing its registered trademark ROOTS on footwear, (2) ordered that Natural account to Roots for all profits earned by Natural on the sale of ROOTS footwear in the entire United States[3] and (3) ordered the cancellation of Natural's Principal Register trademarks (A-141 to A-142). The Court of Appeals directed the reinstatement of these registrations to the Principal Register (A-141). In addition, the Third Circuit remanded the matter and directed the district court to determine:

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[1] United States Trademark Registration No. 995,891 was issued on October 15, 1974 for the trademark "ROOTS," and No. 1,009,061 was issued on April 8, 1975 for the trademark "ROOTS NATURAL FOOTWEAR & Beaver Design," for "footwear—namely shoes, slippers and boots," based on corresponding Canadian registrations. (Court of Appeals Appendix at 432-33 (hereinafter cited with a small "a" following the page numbers, i.e., 432-33a)). It is undisputed that pursuant to the International Convention for the Protection of Industrial Property, 21 U.S.T. 1583, 24 U.S.T. 2140, Natural's trademark rights in the United States arise as of May 14, 1973 the filing date of the Canadian ROOTS application (811a).

[2] The Order on Mandate, following the directive of the Court of Appeals, limited the injunction against Natural's use of the name and trademark ROOTS mark solely to the State of New Jersey. Natural had, in fact, stipulated at the inception of trial and on appeal that it did not challenge petitioners' right to the exclusive use of the mark in New Jersey.

> (a) The geographic scope of an injunction, which the appellate court directed to be issued in Natural's favor, enjoining defendants from infringing Natural's registered ROOTS trademarks for footwear;
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> (b) The extent to which Natural had acquired common law rights in its ROOTS mark for clothing in markets other than New Jersey and the geographic scope of the injunctive relief necessary to protect those rights;
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> (c) Whether Roots had acquired common law rights to the ROOTS mark for clothing in New York and/or in Pennsylvania prior to the time that Natural entered those markets and acquired any rights.

Rather than proceeding on remand with an adjudication of these fact-sensitive common law trademark issues, petitioners seek review in this Court of the basic and well-settled common law trademark principles which the Third Circuit applied in concluding that the nationwide injunction awarded to Roots was "without basis in fact or law" (A-96). The Court of Appeals was compelled to conclude that the evidence of record plainly could not support the nationwide reputation and common law trademark rights which petitioner Roots claimed and which the district court found to exist. Indeed, the Third Circuit was confronted with a totally implausible result, unsupported by and, in fact, directly contradicted by the objective evidence in the record.

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[3] The accounting award was vacated in its entirety except as to Natural's profits on sales of ROOTS footwear in New Jersey, as the Court of Appeals was of the view that it did not possess appellate jurisdiction over that portion of the award and remanded the issue for consideration under New Jersey common law principles (A-140 to A-141).

To place Roots' bold claim to *nationwide* protection in proper perspective, it must be understood that this retail clothier operated for in excess of 60 years *only* in northern New Jersey and never registered its name. In 1917 and 1920, Adolph Root, Perry Root's father, opened stores in Jersey City and Bayonne, New Jersey, respectively, under the name of "Root's Department Store." The name was clearly derived from his surname and used in the possessive form. In or about 1931, the stores were moved to Summit, New Jersey, where they were operated as "Root's Department Store" and "Root's Men's and Boy's Shop" until 1956, when Root's Department Store was sold and Root's Men's and Boy's Shop was moved into a nearby bank building in Summit.[4] In 1965, Root's was acquired by petitioner Hart, Schaffner & Marx, which formed a wholly-owned subsidiary named Root's, Inc. Thereafter, additional *New Jersey* stores were opened by Roots as follows: Red Bank, New Jersey (1969); Morristown, New Jersey (1977); Hackensack, New Jersey (1977); and Short Hills, New Jersey (1981).[5] During decades of operation, Root's remained a northern New Jersey retail clothier. Nonetheless, it has claimed a nationwide reputation.

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[4] The new store in the bank building retained the possessive form and was called "Root's". The main sign over the front door retained the possessive form until 1978 or 1979 and brass plates on the sides of the door still retain the possessive form of "Root's".

Roots simply did not and cannot establish the nationwide reputation it has claimed. Only the unsupported and self-serving testimony of Mr. Perry Root, Roots' president, (the only witness at trial on behalf of petitioners) can be said to remotely support the assertion that his New Jersey clothing store operation had acquired such "reputation". The objective and undisputed documentary evidence compels the contrary conclusion.

Roots utterly failed to introduce evidence to establish, and the district court failed to evaluate, fundamental indicia of common law trademark rights such as the extent of sales and advertising in the geographic area claimed. No evidence of Roots' dollar sales volume in any geographic market outside New Jersey was introduced by Roots, despite the fact that it had the burden to establish its own sales in support of its claimed rights. Evidence of Roots' dollar sales volume in geographic markets outside New Jersey was introduced *by respondent Natural* after a painstaking compilation effort by independent accountants to demonstrate the *de minimis* nature of Root's sales outside of the State.[6] The sales figures speak for themselves and the Court of Appeals correctly concluded that the objective evidence of Roots' sales flatly contradicted any conclusion that it had a nationwide trade.[7]

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[5] Root's reference in its Petition (Petition at 12 n.4) to the Court of Appeals' mistaken reference to the number of stores is nothing more than "nitpicking" because the Court discussed the existence of all of the stores correctly in the text of its opinion and thus merely made an arithmetical mistake when it provided a total in the footnote (A-97).

No evidence of any serious or significant advertising effort outside of New Jersey was introduced by Roots. To the contrary, the advertising evidence that Roots introduced at the trial highlights the lack of evidence to support its claimed national reputation, as well as the local nature of its operation. Roots simply has never advertised on any kind of a consistent or extensive level in any national medium (A-103).[8] At trial, Root's introduced reams of *local* newspaper advertising, apparently in the hope that by sheer volume it could parlay its advertising efforts in such local newspapers as the *Summit Herald*, the *Chatham Courier*, and the *Short Hills Item*, into national advertising (*see, e.g.*, Exhibits CC 19 and CC 41-46). Roots' advertising efforts are consistent only with a retail store business geographically limited to northern New Jersey.

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[6] Natural's affirmative efforts in this regard to establish Root's lack of sales outside of New Jersey during the pre-1976 time period was severely hindered by the fact that Roots had destroyed many of the underlying sales slips and other documents relating to this period. This destruction of evidence occurred in 1980, during the district court proceedings and long after the dispute between Natural and Roots had arisen over the right to utilize the trademark (A-124).

[7] In the Petition, Roots implicitly suggests that it does a significant mail-order business with customers outside of New Jersey wherein it is stated that "Root's mail-order sales total between one-quarter to one-half million dollars annually." (Petition at 5). However, Roots does not inform the Court that Mr. Root's testimony was that this estimated figure included *all mail* and *telephone* orders for individuals residing everywhere, *including those residing in New Jersey* (5674-76a). It is not difficult to glean that the vast majority of this estimated figure was derived from sales to New Jersey customers when it is viewed in light of the fact that 94% or 38,392 of the total 40,899 individuals on Root's zip code mailing list business are New Jersey residents. (5826a; 5870a).

No consumer survey or consumer testimony was introduced by Roots. No expert testimony as to market reputation was introduced by Roots. The only expert testimony on this point was the uncontradicted testimony of experts called by Natural. Both Dr. Henry Assael, an expert on consumer behavior and marketing, and Steven Osterweis, a retail merchandising expert with years of practical experience, independently concluded that Roots was a local retail clothing operation which had made no serious effort to extend its business beyond its New Jersey trade area and which did not have a national reputation. (A-131 to A-132). In short, at trial Roots relied upon the bare assertions of Perry Root as to the extent of his store's established trade area and reputation. Mr. Root had given similar testimony years before trial at the preliminary injunction hearing and, based thereon, a preliminary injunction had issued against Natural. However, years of discovery clearly exposed the total absence of concrete evidentiary support for these assertions. Not surprisingly, when he was read a portion of his testimony at the preliminary injunction hearing, Mr. Root stated, "I'm not clear on what I meant there, either" (5560-61a).

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[8] Once again, Roots points to the district court's reference to its *New Yorker* magazine advertising to the effect that "from at least May of 1959, more than fourteen years before Natural first shipped shoes to California, Roots was offering its goods nationally by mail" (Petition at 6). This reference exemplifies the incomplete picture presented by Roots. What both Roots and the district court failed to state in the quoted language is that this *New Yorker* advertising effort *ended in 1962* (6085a; 3783a; 3972-76a; 4087-88a). The record contains a total of 22 ads placed by Roots in the *New Yorker* from 1959 to 1962 (6085a). The ads are small and each features one single article of clothing (6085a). Roots placed no ads in the *New Yorker* during years 1963, 1964 and 1965 (3787a; 3972a; 6085a). In 1966, Roots placed seven monthly ads in the *New Yorker* which were of the same type that it placed during 1959 through 1962 (6085a). For the entire 10-year period from 1967 through 1976, Roots placed no ads in the *New Yorker* magazine (6085a; 3787-88a). In 1977, several years after Natural entered the market, Roots placed one ad in the *New Yorker* (3788a). Roots placed no ads in the *New Yorker* after 1977.

Despite the overwhelming record to the contrary, Roots now quotes the district court's conclusory finding that it had achieved a nationwide reputation. (Petition at 6). This conclusion was correctly found by the Third Circuit to be without factual or legal support (A-96).

Finally, petitioners suggest to this Court that the Third Circuit's application of traditional trademark principles requiring geographic market penetration, rather than mere *de minimis* usage, is somehow unfair to establishments like petitioner Roots which allegedly desire nationwide trademark protection. This, it is said, may redound to the detriment of smaller business concerns. It should not be forgotten that since 1965, some eight years before Natural registered the ROOTS mark and entered the United States, Root's was a subsidiary of Hart, Schaffner & Marx, a leading clothing manufacturer and retailer.

More importantly, the simple answer to petitioners' alleged concern is that *for 60 years,* Roots did not seek to register its trademark in accordance with the Lanham Act, 15 U.S.C. § 1051 *et seq.* Small business concerns which genuinely plan on conducting interstate business may register just as easily as large organizations and thereby obtain protection and fairly place others on notice of their use. This is precisely what Natural's principals did when they began their, at first, modest company.

Fairness dictates that nationwide trademark rights may not be derived from sporadic, *de minimis* usage, insufficient to establish geographic market reputation, fairly place others on notice of the claimed rights or create the likelihood of consumer confusion. The result reached by the Third Circuit was eminently correct.

REASONS FOR DENYING THE PETITION

1. The decision below is totally consistent with the decisions of this Court and the decisions of the other circuits, and petitioners have failed to acknowledge seminal and directly applicable decisions of this Court.

In a strained effort to identify a certworthy "issue," petitioners seriously misstate the applicable legal principles in order to argue that the Third Circuit's opinion is "without benefit of support" and is a case which "conflicts fundamentally with decisions in all other circuits." (Petition at 12). Petitioners, simply, are wrong. Consistent with the leading decisions of this Court, the Third Circuit correctly concluded that "the district court's decision was without basis in fact or law" and that petitioners "market penetration outside of New Jersey was, as a general matter, *de minimis* at the time of [respondents' federal] registration." (A-95 to A-96).

In the lower courts, petitioners argued that *mere* prior use of the trademark anywhere in the United States was sufficient to confer trademark protection in the subject mark in each state in the country, *regardless* of the quantum of sales, advertising, marketing, promotion and proof of reputation and market penetration. Here, petitioners now argue that "genuine prior and continuing use" should be sufficient to afford petitioner pre-emptive trademark rights over respondents, a federal registrant. (Petition at 8-9). Regardless of the semantic modification in petitioners' legal position, the general principles applicable to the question of the development of common law trademark rights are well-settled.[9]

As recognized by the Third Circuit and as stated in the "venerable case" (A-111 to A-112)[10] of *Hanover Star Mill-*

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[9] Petitioners *nowhere* identify the quantum of use they would deem sufficient to meet their own new test of "genuine use," or the type and nature of evidence required to demonstrate same, or the geographical scope of their new test. Evidently, petitioners' non-objective standard is applicable only to themselves.

[10] Contrary to petitioners' claim that the Third Circuit cited "only two opinions" in support of its decision, (Petition at 10), the Third Circuit clearly relied upon the "basic principles governing the territorial rights of trademark holders under the common law" as set forth in *Hanover Star Milling Co.* v. *Metcalf,* and its progeny. 240 U.S. 403, 415-416 (1916); (A-118 to A-122); *see Sweetarts* v. *Sunline, Inc.,* 380 F.2d 923, 928 (8th Cir. 1967), *appeal after remand,* 436 F.2d 705, 710-11 (8th Cir. 1971) (principles established in the "landmark case" of *Hanover Star Milling* and followed in other cases were applicable in concluding that *significant* market penetration is required to establish common law trademark rights).

ing Co. v. *Metcalf,* 240 U.S. 403, 413-414 (1916), a trademark "right grows out of use, not mere adoption," and there does not exist any "right of property in a trademark . . . except as appurtenant to an *established business* or trade in connection with which the mark is used." *Id.* (Emphasis added). Petitioners' position throughout this litigation that mere prior use is sufficient to grant petitioners nationwide trademark protection is untenable because "no such doctrine exists." *Federal Tel. & Radio Corp.* v. *Federal Tel. Corp.,* 180 F.2d 250, 251 (2d Cir. 1950) (Hand, Learned, J.). Common law trademark rights are not determined solely by mere priority of use without reference to the specific geographical area in which such use or trade occurred as well as the extent of such use:

> We agree with the court below . . . that "since it is the trade, and not the mark, that is to be protected, a trademark . . . extends to every market where the trader's goods *have become known and identified* by his use of the mark. But the mark, of itself, cannot travel to markets where there is no article to wear the badge and no trader to offer the article."

Hanover Star Milling, 240 U.S. at 416-17 (emphasis added), (citations omitted). *Accord, United Drug Co.* v. *Theodore Rectanus Co.,* 248 U.S. 90, 96-8 (1918) ("[T]he adoption of a trademark does not . . . project the right of protection in advance of the extension of the trade or operate as a claim of territorial rights over areas into which it thereafter may be deemed desirable to extend the trade.")

The federal courts have further developed and consistently applied these basic common law principles in analyzing market penetration and reputation to restrict a senior user's protectable interest specifically to the geographic areas in which it has achieved significant market penetration. *E.g.*, *Wrist-Rocket Mfg. Co.* v. *Saunders Archery Co.*, 578 F.2d 727, 731-34(8th Cir. 1978); *Value House* v. *Phillips Mercantile Co.*, 523 F.2d 424, 427-32 (10th Cir. 1975); *American Foods, Inc.* v. *Golden Flake, Inc.*, 312 F.2d 619, 625 (5th Cir. 1963); *Hemmeter Cigar Co.* v. *Congress Cigar Co.*, 118 F.2d 64, 66, 71 (6th Cir. 1941); *Jacobs* v. *Iodent Chemical Co.*, 41 F.2d 637, 639 (3d Cir. 1930); *Flavor Corp. of America* v. *Kemin Industries, Inc.*, 358 F.Supp. 1114, 1122-25 (S.D. Iowa 1973), *aff'd,* 493 F.2d 275, 283, 285 (8th Cir. 1974); *see La Societe Anonyme des Parfums le Galion* v. *Jean Patou, Inc.*, 495 F.2d 1265, 1271-72 (2d Cir. 1974).

It is not surprising that petitioners in their briefs in the Court of Appeals and in their Petition, never even discuss *Hanover Star Milling* or the numerous cases which require significant geographic market penetration to establish common law trademark rights. Although petitioners failed to even acknowledge these precedential decisions, the Third Circuit was well-acquainted with the applicable legal principles. (A-111 to A-112, A-118 to A-122); *Jacobs* v. *Iodent Chemical Co.*, 41 F.2d 637, 639-40 (3d Cir. 1930); *Rosenberg Bros. & Co.* v. *Elliott,* 7 F.2d 962, 965 (3d Cir. 1925); *Wiener King, Inc.* v. *Weiner King Corp.*, 192 U.S. P.Q. 353, 355-56 (3d Cir. 1976).[11]

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[11] In his leading trademark treatise, Professor McCarthy concluded that the *Hanover Star Milling* doctrine "has been consistently followed as the common-law rule regarding territorial rights in trademarks," and the application of those principles in

(Footnote continued on following page)

The Third Circuit simply gave effect to these well-recognized principles and identified the four critical factors to be considered in its overall evaluation of the geographic market reputation of a trademark: "(1) the volume of sales of the trademarked product; (2) the growth trends (both positive and negative) in the area; (3) the number of persons actually purchasing the product in relation to the potential number of customers; and (4) the amount of product advertising in the area." (A-120 to A-122). The Third Circuit's comparative evaluation of these important ingredients of market reputation was fully consistent with the long-held view that each trademark case "must be evaluated on its own facts and circumstances." *Scott Paper Co.* v. *Scott's Liquid Gold, Inc.*, 589 F.2d 1225, 1231 (3d Cir. 1978); *see Hanover Star Milling,* 240 U.S. at 415 (general trademark principles must be applied "to the facts of the cases decided"); *Sweetarts* v. *Sunline, Inc.*, 380 F.2d at 929 (the court "should weigh all the factors" in determining whether there was significant market penetration and reputation). (*See* A-120 to A-125, A-130 to A-131).

By including a page-long list of mere case citations, without any discussion, petitioners attempt to convince the

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(Footnote continued from preceding page)

Sweetarts v. *Sunline, Inc.*, 436 F.2d 705 (8th Cir. 1971), "illustrates vividly the principle that the senior user's rights only extend as far as its actual market penetration." 2 J.T. McCarthy, *Trademarks and Unfair Competition,* § 26:1 at 287, § 26:6 at 295 (2d ed. 1984); 3 R. Callmann & L. Altman, *Unfair Competition, Trademarks & Monopolies,* § 19.01 at 3 (4th ed. 1983) ("the mere adoption of a mark without substantial use, in order to preempt it and thus prohibit its use by others, does not create any legally cognizable rights.")

Court that their contorted theory of trademark law is supported by the cases cited. (Petition at 8-9). To the extent that petitioners' citations relate to the issue of development of territorial trademark rights, these decisions are fully consistent with *Hanover Star Milling* and its progeny. For example, in *Sweet Sixteen Co.* v. *Sweet "16" Shop, Inc.*, 15 F.2d 920 (8th Cir. 1926), the Eighth Circuit specifically acknowledged the governing principles under *Hanover Star Milling*:

> Before the cases of *Hanover Star Milling Co.* v. *Wheeler Co.* and *United Drug Co.* v. *Rectanus* . . . were decided, much confusion is to be found and much diversity of opinion existed among the courts which dealt with the points which are here decisive. *The above cases crystallized the law, and prior learning, so far as the federal courts are concerned, becomes of negligible value.*

Sweet Sixteen Co., 15 F.2d at 922 (emphasis added).[12]

Sweet Sixteen involved non-surname technical trademarks and the court followed the market penetration and reputation test set forth in *Hanover Star Milling. Id.* at 922-24. The court analyzed the plaintiff's advertising, marketing and sales activity in the disputed geographical areas and concluded that based on the "*quantum of . . . use,* the solicitation of trade, and *the advertisements* of plaintiff *in the . . . territory of trade,*" the plaintiff was entitled to relief. *Id.* at 921, 924 (emphasis added).[13] *See also E.F. Pritchard Co.* v. *Consumers' Brewing Co.,* 136 F.2d 512, 518-19 (6th Cir. 1943), *cert. denied,* 321 U.S. 763 (1944) (under the common law, "a trademark is generally the growth of a considerable period of use" and "it functions only in connection with an existing business"); *Big O Tire Dealers, Inc.* v. *Goodyear Tire & Rubber Co.,* 408 F. Supp. 1219, 1230-40 (D. Colo. 1976), *aff'd as modified,* 561 F.2d 1365 (10th Cir. 1977), *cert. denied* 434 U.S. 1052 (1978).[14]

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[12] Cases decided prior to *Hanover Star Milling* and cited by petitioners (Petition at 8), which conceivably could be read to support the claim that mere prior use without any evaluation of the quantum and territorial extent of such use, are clearly distinguishable or otherwise inconsistent with the principles of *Hanover Star Milling,* and accordingly are inapplicable and irrelevant. *See, e.g., Kathreiner's Malzkaffee* v. *Pastor Kneipp Medicine Co.,* 82 F. 321, 325 (7th Cir. 1897) ("piracy" and passing-off of trademark enjoined although the court recognized that "owner of a trade-mark may not be entitled to its exclusive use everywhere and under all circumstances, and may not enjoin its innocent use").

Moreover, the cases cited by petitioners which discuss the scope of protection of inherently distinctive marks or marks which do not require proof of "secondary meaning" to establish trademark rights, are totally inapposite to the petitioners. *See, e.g., University of Georgia Athletic*

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[13] The court specifically noted that the trademark in issue was "fanciful" and was not "within the public domain" in which latter case, the plaintiff would be required to demonstrate "secondary meaning". *Id.* at 925. Even if *Sweet Sixteen* could be read as providing some support for petitioners' theory, that case has been modified by the Eighth Circuit. *E.g. Sweetarts* v. *Sunline, Inc.,* 380 F.2d 923, *appeal after remand,* 436 F.2d 705.

[14] Other cases cited by petitioners which recognized the traditional principles of *Hanover Star Milling* include *New England Duplicating Co., Inc.* v. *Mendes,* 190 F.2d 415, 417-18 (1st Cir. 1951); *Benrose Fabrics Corp.* v. *Rosenstein,* 183 F.2d 355, 359 (7th Cir. 1950); *Ph. Schneider Brewing Co.* v. *Century Distilling Co.,* 107 F.2d 699, 702-03 (10th Cir. 1939).

Ass'n v. *Laite,* 756 F.2d 1535, 1540-42, 1545-46 (11th Cir. 1985); *McGregor-Doniger, Inc.* v. *Drizzle, Inc.,* 599 F.2d 1126, 1132 (2d Cir. 1979). Petitioners' mark indisputably originated as a surname and was used as a surname. Inasmuch as the Third Circuit reviewed the record facts and applicable law and concluded that (apart from New Jersey which respondents conceded to petitioners), the petitioners failed to demonstrate *any* market reputation or common law trademark rights in any other state, (A-130 to A-131; A-135 to A-136), the court found it unnecessary to "consider whether [petitioners have] demonstrated secondary meaning for its name." (A-130 & n.47). In light of the surname origin of petitioners' mark, it is axiomatic that petitioners had the burden of proving not only market penetration, but secondary meaning in the mark in each geographical area in which they asserted trademark rights. *Dresser Industries, Inc.* v. *Heraeus Engelhard Vacuum, Inc.,* 267 F. Supp. 963, 968 (W.D. Pa. 1967), *aff'd,* 395 F.2d 457 (3d Cir.), *cert. denied* 393 U.S. 934 (1968); *see Scott Paper Co.* v. *Scott's Liquid Gold, Inc.,* 589 F.2d at 1228, 1231-32.[15]

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[15] *See also Locatelli, Inc.* v. *Tomaiuoli,* 129 F. Supp. 630, 633 (D. N.J. 1955) (under New Jersey law, a surname must evidence "secondary meaning"); 1 J.T. McCarthy, *Trademarks and Unfair Competition* § 13:2, at 578 (2d ed. 1984) ("[S]ince personal names are not regarded as being inherently distinctive marks, they can be protected as trademarks only upon proof that through usage they have acquired distinctiveness and secondary meaning.") Even assuming *arguendo,* that petitioners had demonstrated sufficient common law market penetration (which of course, they did not), they would still be required to affirmatively demonstrate secondary meaning in the district court. Accordingly, the issues herein would not be ripe for adjudication by this Court until additional findings were made by the court below regarding proof of "secondary meaning."

Petitioners also complain that "the trademarks of 'small businesses' are as much entitled to protection as those of large companies" and that if a business cannot meet the market factors discussed by the Third Circuit, smaller companies will be overrun by larger companies "with greater resources." (Petition at 9-10). This position is totally disingenuous. First, it ill-behooves petitioners to claim they are a "small business" when the record reveals that petitioner Roots was acquired by petitioners Hart Schaffner & Marx in 1965, eight years prior to respondents' entry into the United States marketplace. Hart Schaffner & Marx is a well known, billion dollar business.[16] Second, in order to claim a trademark, all a "small business" need do is register under the Lanham Act. *See Park 'N Fly, Inc.* v. *Dollar Park and Fly, Inc.*, 469 U.S. ——, 105 S. Ct. 658, 661, 664 (1985) ("Congress enacted the Lanham Act in 1946 in order to provide national protection for trademarks used in interstate and foreign commerce.") Petitioners' failure to register under the Act is inexplicable. Third, whether any of the parties were "large" or "small" businesses is irrelevant—the only issue is whether there is evidence of geographic market reputation.

The Third Circuit has not rewritten the standard for evaluating the territorial scope of common law trademarks.

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[16] Equally specious is petitioners' quotation from *Big O Tire Dealers, Inc.* v. *Goodyear Tire & Rubber Co.*, 408 F. Supp. at 1232. (Petition at 10). In that case, the defendant Goodyear acted "in blatant disregard of the plaintiff's position" and utilized plaintiff's trademark with full, prior knowledge thereof. *Big O Tire Dealers,* 408 F. Supp. at 1232. No such facts pertain here.

The Third Circuit's unanimous decision was fully consistent with settled principles of this Court and circuit courts applying *Hanover Star Milling* and decisions thereunder.

2. The Court of Appeals did not impermissibly engage in appellate fact finding; rather, that court simply performed its duty to set aside findings that were clearly erroneous and remanded the case to the district court to make additional findings of fact under the correct legal standards, which were not employed by the trial court.

A review on writ of certiorari is not a matter of right but of judicial discretion, and will be granted *only* when there are special and important reasons therefor. *See* Sup. Ct. R. 17.1. In an attempt to elevate their cause into a matter requiring consideration by this Court, petitioners assert that the Court of Appeals improperly substituted its own judgment for that of the district court in violation of Fed. R. Civ. P. 52(a) as recently considered by this Court in *Anderson* v. *City of Bessemer*, 470 U.S. ——, 105 S. Ct. 1504 (1985). Petitioners' case for review by this Court is, however, belied simply by a perusal of the Court of Appeals' opinion below. That opinion demonstrates as well as anything can that the district court's findings were virtually without support in the record, totally implausible in light of the evidence in the record, and thus "clearly erroneous" within the meaning of Rule 52(a) and the Court's rulings in *Anderson* and other cases. Moreover, contrary to petitioners' contention, after setting aside the trial court's unsupportable conclusions, the Court of Appeals did not engage in impermissible fact finding but simply set forth the legal standards and the appropriate factual framework within which the case should be decided on remand. Accordingly, this case does not present an issue worthy of Supreme Court review.

In *Anderson* v. *City of Bessemer,* this Court reiterated its oft-cited definition of "clearly erroneous" within the meaning of Fed. R. Civ. P. 52(a), *i.e.,*— " 'a finding is "clearly erroneous" when although there is evidence to support it, the reviewing court on the entire evidence is left with the definite and firm conviction that a mistake has been committed'." 470 U.S. at ——, 105 S. Ct. at 1511. *Accord United States* v. *United States Gypsum Company,* 333 U.S. 364, 395, *reh'g denied,* 333 U.S. 869 (1948). The Court also provided appellate courts with additional guidance as to the proper scope of appellate review, *Anderson,* 470 U.S. at ——, 105 S. Ct. at 1512 (emphasis added):

> If the district court's account of the evidence is *plausible* in light of the record viewed in its entirety, the court of appeals may not reverse it even though convinced that had it been sitting as the trier of fact, it would have weighed the evidence differently.

The Court of Appeals below did no injustice to these principles. Its decision unmistakably indicates the firm conviction that the district court's findings were, in fact, *implausible* in light of the record and thus clearly erroneous.

As the appellate court's opinion makes clear, the instant record can support but one conclusion—Roots failed to demonstrate its entitlement to a *nationwide* injunction against Natural's use of the ROOTS mark. (A-96). After undertaking a painstaking, in depth review of the record,[17] the Court of Appeals concluded that "the district court's decision was without basis in fact or law." (A-95 to A-96).

In support of this conclusion, the Court of Appeals noted that petitioners failed to adduce any evidence in certain crucial areas. For example, Roots offered *no* documentation to support its estimated dollar value of mail-order sales to out-of-state customers, (A-99), and for certain critical years, Roots failed to present any out-of-state sales figures whatsoever (A-100). Moreover, although Roots claimed a national reputation among "high-quality" clothing customers, it offered *no* evidence to distinguish the relevant group of customers from the general population, or to indicate the extent to which its reputation was known within the claimed market. (A-129). In addition, Roots introduced *no* consumer surveys, expert testimony, or similar evidence to document whether its advertising efforts were likely to reach and inform its target audience. (A-130).

Furthermore, as the Court of Appeals noted, with respect to other critical areas, the proofs submitted by Roots were woefully inadequate. *See, e.g.,* the discussions regardings Roots' failure to distinguish between "active" and "inactive" customers on Roots' mailing list, (A-128), and its failure to present evidence of a consistent and growing reputation (A-127).

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[17] Although Rule 52(a) limits an appellate court's power to overturn findings of a district court, it is clear that the Rule should not be read to prevent the appellate tribunal from making an independent examination of all of the evidence in the record. *Bose Corporation* v. *Consumer's Union of United States, Inc.,* 466 U.S. 485, 104 S. Ct. 1949 (1984), *reh'g denied,* —— U.S. ——, 104 S. Ct. 3561-3562 (1984).

In light of the complete absence of evidence in certain critical areas and lack of sufficient detail in others the Court of Appeals was constrained to conclude that "[t]he record simply will not support the district court's conclusion." (A-119).

In sum, no claim to a national reputation could *plausibly* rest upon the evidence in this record. Petitioners offered only the unsubstantiated, self-serving testimony of Perry Root to support their claim to nationwide recognition of Roots' products. The mere fact that Roots presented *some* evidence did not, however, preclude the Court of Appeals from rejecting the district court's findings. As this Court in *Anderson* v. *City of Bessemer,* was careful to note:

> Documents or objective evidence may contradict the witnesses' story; or the story itself may be so internally inconsistent or implausible on its face that a reasonable fact finder would not credit it. *Where such factors are present, the court of appeals may well find clear error . . . .*

470 U.S. at ——, 105 S. Ct. at 1512-1513. (emphasis added)

Such is the situation here. The overwhelming documentary evidence in the record contradicts the testimony of Mr. Root and serves to discredit his opinions by showing clearly that Roots' business activity[18] outside New Jersey was essentially *de minimis* as of the time of Natural's federal registrations.

In addition, the Court of Appeals faulted the district court not only for drawing implausible conclusions from the facts in the record, but also for failing to apply the proper legal standards. (*E.g.*, "We conclude that the District Court's decision was without basis in fact *or law*" (A-96); "*Under the correct test*, the record simply will not support the district court's conclusion" (A-119); "Roots failed even to come close to making *the necessary showing*" (A-131); "[the District Court's position] is totally without support in the record *under the appropriate legal standards*" (A-139).)[19] Where the trial court's findings rest on an incorrect understanding of the law, the "clearly erroneous" rule does not apply. *Pullman-Standard* v. *Swint*, 456 U.S. 273, 284-85, 287 (1982). Clearly, the appellate court was entitled, if not obligated, to review the facts of record in light of the correct legal standards to provide guidance to the district court on remand.

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[18] Roots, in fact, offered no documentary evidence of its out-of-state sales. Instead, it was Natural which presented the available documentary evidence because these proofs illustrated the *de minimis* nature of those sales. While Roots relied heavily upon its sporadic advertising in *New Yorker* magazine as proof of its "national reputation", the record is lacking of any documentary evidence to indicate that such advertising succeeded in generating out-of-state sales. *See, supra,* note 8. In reality, the documentary evidence in the record overwhelmingly establishes the contrary—that out-of-state sales were *de minimis*.

[19] Emphasis added. Thus, contrary to petitioners' contention (Petition at 13) the Court of Appeals properly rejected the district court's conclusion that the "Boiko Report" was somehow evidence of Roots' national reputation, because, under the correct legal standards, that document, offered by Natural, showed only the *de minimis* nature of petitioner Roots' sales outside New Jersey.

Moreover, the Court of Appeals contrary to petitioners' contention, *did* remand the case for further findings, *e.g.*, the extent to which Natural was entitled to injunctive relief pursuant to its rights under the Lanham Act, whether Roots was capable of establishing common law trademark rights in clothing in New York and Pennsylvania, and the extent of Natural's common law rights in clothing.

With respect to Natural's entitlement to an injunction to protect its federal registrations for footwear, the Court of Appeals correctly concluded that a remand was unnecessary because the evidence of record was susceptible only of the conclusion that Roots' business activity in states other than New Jersey was too insignificant, as a matter of law, to vitiate the supremacy of Natural's registrations. A remand is inappropriate when, as here, the facts of record are susceptible of only one reasonable interpretation. *Pullman-Standard* v. *Swint,* 456 U.S. at 292, (1982); *Bigelow* v. *Virginia,* 421 U.S. 809, 826-27 (1975). Effective judicial administration requires that the Court of Appeals draw the inescapable conclusion itself rather than remand the case for further needless proceedings. *Pullman-Standard,* 456 U.S. at 301, (Marshall, J., dissenting); *Levin* v. *Mississippi River Fuel Corp.,* 386 U.S. 162, 170 (1967).

Notwithstanding *Anderson's* recent caution to appellate courts regarding the proper limits on their power of review, it remains beyond question that when the district court's findings are implausible and without support in the record, it is the responsibility of the appellate court to find clear error and to set these findings aside. *Anderson,* 470 U.S. at ——, 105 S. Ct. at 1513; *Gypsum,* 333 U.S. at 396; *Dayton Board of Education* v. *Brinkman,* 443 U.S. 526, 534, n.8, (1979), *reh'g denied,* 444 U.S. 887 (1979). Accordingly, there was no violation of Rule 52(a) by the Court of Appeals.[20] In summary, the Court of Appeals' decision was entirely consistent with Rule 52(a) and the well-settled principles governing the scope of appellate review.

In requesting this Court to grant the Petition, the petitioners imply that supervision of the Third Circuit's adherence to *Anderson* v. *City of Bessemer* is required. In this regard two points should be noted. First, the Third Circuit had available to it this Court's decision in *Anderson* v. *City of Bessemer* at the time it rendered its decision in this case, and there is no reason to conclude that the appellate court was not aware of that decision. Second, the Third Circuit's recent opinion in *Bernard* v. *Lehman,* No.

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[20] Petitioners also erroneously contend that the appellate court improperly relied upon the testimony of Natural's expert witnesses "to support its own findings." (Petition at 12). In fact, the appellate court merely cites to the expert testimony as reinforcing what the uncontroverted extrinsic documentary record had already established—that Roots had not acquired a *national* reputation. The district court's conclusion that the experts did not have much beyond "a superficial exposure to the underlying facts", (A-80 to A-81) was clearly erroneous because the uncontroverted testimony of the experts was that they reviewed *all* of the evidence of record as to Roots' business activity outside New Jersey. (4737-42a; 3163-76a; 4910-11a; 2660-82a).

Petitioners also point to the appellate court's failure to consider the district court's alleged "finding", of Natural's "intentional and deliberate attempt to trade on Roots' reputation." (Petition at 13). The district court, in fact, never made any such finding. Indeed, Roots offered no evidence of "palming off" and such a finding could not otherwise be supported on this record.

84-1638 (3d Cir. Aug. 29, 1985), removes any doubt regarding the Third Circuit's compliance with the principles set forth in *Anderson*.[21] Thus, there is no need to question the Third Circuit's adherence to *Anderson*, and the writ herein presents no issue which warrants consideration by this Court.

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[21] In *Bernard*, the Third Circuit analyzed the principles announced in *Anderson*, and, although troubled by certain weaknesses in the district court opinion, acknowledged that, in accordance with the priniciples of *Anderson*, it would not disturb district court findings that were not clearly erroneous. *Bernard*, No. 84-1638 at 20. It should also be noted that the Third Circuit denied petitioners request for a rehearing on May 30, 1985.

CONCLUSION

For the foregoing reasons the Petition for Writ of Certiorari should be denied.

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Dated: September 27, 1985

Supreme Court, U.S.
FILED
OCT 7 1985
JOSEPH F. SPAN
CLERK

No. 85-340

IN THE

Supreme Court of the United States

OCTOBER TERM 1985

HART SCHAFFNER & MARX AND ROOTS, INC.,
Petitioners,

v.

NATURAL FOOTWEAR LIMITED, DON GREEN AND MICHAEL BUDMAN,
Respondents.

PETITIONERS' REPLY BRIEF

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PETITIONERS' REPLY BRIEF

Respondents' brief is based on two contentions, both of which are fallacious. Respondents (hereinafter "Natural") contend first that petitioners (hereinafter "Roots") have ignored "seminal and directly applicable decisions of this Court", but the decisions to which Natural refers, *Hanover Star Milling Co.* v. *Metcalf*, 240 U.S. 403 (1916) and *United Drug Co.* v. *Theodore Rectanus Co.*, 248 U.S. 90 (1918) actually support Roots' argument. Natural also contends that the appellate court merely set aside the findings of the trial court and remanded, but the opinion shows that the Court of Appeals made its own findings after a state-by-state analysis of the facts relating to Roots' right to use ROOTS for footwear.

THE DECISIONS OF THIS COURT SUPPORT ROOTS' ARGUMENT, NOT THE HOLDING OF THE COURT BELOW.

Natural's brief misrepresents both Roots' position and the holding of the court below.[1] Petitioners have never argued that "mere *de minimus* usage" precludes another's use of a mark. Nor did the Court of Appeals deny Roots relief only in those areas where it found Roots' use was *de minimus*. Roots' argument is simple: the test for acquisition of trademark rights is prior use which is greater than *de minimus*[2]. The test is not a detailed and extensive showing of "market penetration", as required by the Court of Appeals. Neither is it one of market reputation, as Natural now urges.

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[1] Natural also falsely claims Perry Root was petitioners' only trial witness; whereas in fact the testimony of two of Roots' former advertising directors was also of record (See A-82).

This Court's decisions in *Hanover Star Milling Co.* v. *Metcalf*, 240 U.S. 403 (1916) and *United Drug Co.* v. *Theodore Rectanus Co.*, 248 U.S. 90 (1918) support Roots' position, not the Third Circuit's "market penetration" test. This Court consistently has held that a trademark owner is entitled to protection of its mark "[i]nto whatever markets the use of the trade-mark has extended, or its meaning has become known." *Hanover Star Milling*, 240 U.S. at 415-16. Roots requests no more. It seeks protection of its mark in those areas where its goods have been sold, but the Court of Appeals, by its "market penetration" test held that more must be shown. Where as here, however, Natural subsequently began selling its goods in areas where Roots had been using its mark for decades, "it is correct to say that prior appropriation settles the question." *Hanover Star Milling*, 240 U.S. at 415. This Court, in *Hanover Star Milling* and *United Drug Co.* did not inquire into the quantum of use in the disputed area by each party, but simply who was prior in that area.

In this case, the Court of Appeals found that Roots' prior use of its mark in New York and Pennsylvania was not *de minimus*. Relief was denied in those states, nonetheless, simply because the use was not substantial enough to meet the court's newly articulated "market penetration" test.[3]

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[2] Natural quotes *Federal Telephone & Radio Corp.* v. *Federal Telephone Corp.*, 180 F.2d 250, 251 (2d Cir. 1950) as saying "no such doctrine exists." In fact, the doctrine Judge Hand stated did not exist was the doctrine that a prior user of a word such as "Federal" could preclude its use by another without a showing of likelihood of confusion or other harm.

[3] While Roots disputes the propriety of the appellate fact-finding engaged in below, it is not disputed that *de minimus* use would not entitle a party to prevent subsequent good faith use by another.

This requirement of a threshold standard, other than use greater than *de minimus*, is contrary to *Hanover Star Milling Co.* v. *Metcalf*, 240 U.S. 403 (1916), *United Drug Co.* v. *Theodore Rectanus Co.*, 248 U.S. 90 (1918) as well as the cases listed in Roots' opening brief.

Natural also relies on the decision in *Sweet Sixteen Co.* v. *Sweet "16" Shop, Inc.*, 15 F.2d 920 (8th Cir. 1926) to support its argument that "market penetration" is the requisite test. Contrary to Natural's argument, the court there granted an injunction against a subsequent user's use in Salt Lake City based upon the prior user's catalog sales into the area, while noting that "the business done in Utah was, in proportion to its total business, negligible." 15 F.2d at 921. The court stated as follows, 15 F.2d at 925:

> It is enough, we think, if the article with the adopted brand upon it is actually a vendible article in the market, with intent by the proprietor to continue its production and sale. It is not essential that its use has been long continued, or that the article should be widely known, or should have attained great reputation. The wrong done by piracy of the trade-mark is the same in such case as in that of an article of high and general reputation, and of long-continued use. The difference is but one of degree, and in the quantum of injury. A proprietor is entitled to protection from the time of commencing the user of the trade-mark.

This is precisely the standard on which Roots has relied.

The other decisions cited by Natural for the proposition that the Third Circuit's "market penetration" test does not conflict with the law of the other circuits (p. 12) similarly fail to support its position, with the possible exception of *Sweetarts* v. *Sunline, Inc.*, 436 F.2d 705 (8th Cir. 1971) which is discussed in Roots' opening brief (pp. 11-12).[4] In the other decisions, relief was granted or denied based not on whether the prior user had "achieved significant market penetration," as Natural states, but rather on whether the party seeking relief proved it had made use, or use greater than *de minimus*, in the particular area.[5]

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[4] *Wrist-Rocket Mfg. Co.* v. *Saunders Archery Co.*, 578 F.2d 727 (8th Cir. 1978) is inapposite in that it involved the question of splitting trademark rights between former joint venturers.

CONTRARY TO NATURAL'S ASSERTION, THE COURT OF APPEALS ENGAGED IN FACT-FINDING RATHER THAN REMANDING ALL FACTUAL ISSUES.

Natural does not dispute that the appellate court devotes a major portion of its opinion to a lengthy statement of the facts and analysis thereof. Neither does Natural dispute that the court's statement and analysis is replete with factual misstatements.[6]

Natural argues that the court simply concluded that the record would not support the district court's grant of a nationwide injunction and that "contrary to petitioner's assertion, [the court] did remand the case for further findings" (p. 23). The court, however, did not simply remand to the district court for entry of findings pursuant to its new test. Instead, the court made its own findings in a state-by-state analysis to determine the scope of relief to which Roots was entitled respecting footwear. (A-122-A-132). In these actions, the court departed severely from the accepted and usual course of judicial proceedings.

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[5] Natural also argues that Roots must prove secondary meaning (although Natural need not) because Roots derived its mark from a surname. There is, however, no such legal requirement where the mark is not perceived as a surname, as Natural admits is true here (A-54). *Williamson-Dickie Mfg. Co.* v. *Davis Mfg. Co.*, 251 F.2d 924 (3d Cir. 1958). Moreover, the rule requiring secondary meaning for surnames is without meaning here since "one of the same name may have a defense of inherent right to use [but] one with a different name should not be heard to demand that secondary meaning must be established by a prior user." *In re Nantucket, Inc.*, 677 F.2d 95, 105 (C.C.P.A. 1982).

[6] While Natural accuses Roots of "nitpicking" by complaining about factual misstatements, the court's misstatements of *undisputed* facts highlight the unsuitability of appellate courts as fact finders. Moreover, misstatements such as the court's repeated statement that Natural obtained its federal registrations in late 1973 rather than the actual date of October, 1974 are key in view of the fact the court found it was the crucial time period for evaluating the parties' rights respecting footwear.

THE PETITION SHOULD BE GRANTED

The decision of the Court of Appeals conflicts with the decisions of this Court and those of the other circuits on the fundamental question of whether protectable trademark rights are derived simply from use greater than *de minimus* use or instead are derived from use that results in "market penetration." Unless corrected, this conflict as to the very foundation of trademark rights must necessarily generate widespread legal mischief, confusion and doubt.

The Court of Appeals engaged in extensive fact finding instead of remanding to the district court the issues it considered incorrectly decided. Indeed, most of its lengthy opinion consists of detailing its own evaluation and analysis of the facts of record.

CONCLUSION

For the foregoing reasons, as well as the reasons set forth in its opening brief, petitioners request that their Petition for Writ of Certorari be granted.

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